Sectt. II-27—104,006—4-11-48.

Development (1951) Department.

~~74~~ MS SERIES.

Pages No.

G.O. NO. 742

216

Dated 19-2-1951

[Despatch Abstract.]

Acts and Rules – State Aid to Industries Act – The Purnima Straw Board and Paper Mills Ltd., Moodbidri Loan of Rs 80,000/- Sanctioned – Disbursement of the loan amount by taking personal security bond from the Managing Agents of the Company guaranteeing the repayment of the loan – Ordered

Secy Dev
Pl. examine & put up
cl
5/8

Addl cond
may be added
the following

Kodiyal
S K

SECRETARY TO GOVERNMENT
5 AUG 1950
DEVELOPMENT DEPARTMENT

From:
Dr. K.R.Kini,
M.B., & B.S.
Chairman,
The Purnima Straw Board and Paper Mills Limited,
Moodbidri. S.Kanara.

79235

1 - 8 - 195

MINISTER FOR INDUSTRIES
5-AUG 1950
GOVERNMENT OF MADRAS

Hon'ble Sri. Perumalswami Reddiar,
Minister for Industries,
Government of Madras,
Fort St. George, Madras.

Respected Sir,

Sub:- Loan of Rs. 80,000/- sanctioned to the Mills under the Madras State Aid to Industries Act- Early disbursement - prayed for -

Ref:- G.O.Nos. 2525- Devolopment Department- dated 24-6-1950.

On behalf of The Purnima Straw Board & Paper Mills Moodbidri, I, as Chairman - sincerely thank you for reconsidering cancellation order and making available to our Mills the loan of Rs.80,000/- by the above order. But I regret to note that the Govern ment has imposed a new condition stating that "the loan be made availabl to the Company provided the Management and the shareholders are to compose to the satisfaction of the Government their differences within a period of six months from the date of this order."

On this order, please permit me to place before you a few facts on behalf of the Mills.

1. In G.O.No. 6142 dated 11-12-1948, Government sanctioned the loan of Rs. 80,000/- to the Mills on the recommendation of the Board of Industries, which Board unanimously decided after a personal enquiry on the working and other details of the Mills
2. Subsequently a few disgruntled shareholders of Bombay totaling to half a dozen, with shares worth Rs. 12,000/-, two of whom were defeated at the annual election in the Second Annual Ge ral Meeting, raised an objection ~~to~~ on the Government to the gra of the loan.
3. The Government held a local enquiry through three different departments viz: (1) The District Collector of South Kanara (2) The Assistant Registrar of Joint Stock Companies, (3) T District Industries Officer. These three Independent enqu revealed that the charges were baseless.
4. The Director of Industries in his letter No. S.A.3829-48 da 28-3-1949 approved the proposal of the District Industries Officer, and requested for a confirmation of the resolution the Board of Directors regarding the application of the loa

consequently on 9-4-1949, the Board of Directors unanimously confirmed the loan resolution and submitted to the Director o Industries.

5. When this resolution reached the Director of Industries, the draft mortgage deed was handed to the Mills for execution and registration.

6. On 4-7-1949 the deed was duly registered and forwarded to the Director of Industries.

105:L Ⓗ 7. On 4-7-1949 the Government passed again an order in G.O.No.M.S. 3560 dated 4-7-1949 in which a clause was introduced that the loan would be disbursed "provided that the Company holds a general body meeting of the shareholders and confirm the proceedings of its previous meeting." The Director of Industries in his letter No. S.A. 3829-48 dated 1-8-1949 again requested the company to fulfil the above condition, on the fulfillment of which the sanctioned loan would be disbursed.

8. The Board of Directors tried their maximum to bring together the dissenting section of the shareholders in the larger interest of the Industry and the District. All the efforts of my Board of Directors and of responsible gentlemen of the District such as Dr. U.P.Mallya, were in vain.

9. The third annual general meeting was convened on 26-2-1950 and in addition to other items of the agenda the following resolution was placed before the general meeting.

> "In view of the fact that the Government of Madras has in G.O.No. 3560 dated 4-7-1949, Devolopment Department has intimated to the Company to hold a General Meeting of its shareholders and confirm the proceedings of its previous meeting held on 19-12-1948 before the disbursement of the sum of Rs. 80,000/-, sanctioned to the Company in G.O.No. 6142, Devolopment - dated 11-12-1948 under the state aid to Industries Act, the following resolution is placed for being passe
>
> > "Resolved that all the proceedings of the Annual General Meeting held on 19-12-1948 be and are hereby confirmed and ratified."

At this meeting the resolution was passed by a majority as per the Indian Companies Act and the same was communicated to the Government on 28-2-1950.

.0. When the Board of Directors had complied with all the requirements of the G.O.No.M.S.3560 dated 4-7-1949, the Managing Agents were directed to move the Director of Industries for the disbursement of the sanctioned loan. At this stage the Director of Industries expressed that a fresh petition has been received by the Government from the dissenting section, objecting to the disbursement of the loan and they contemplate legal proceedings against the Mills and the Management.

It is more than 5 months now the petitionist have not filed any suit against the Board of Directors or the Managing Agents.

11. The Director of Industries subsequently wrote to say that he has been directed to inform that the sanctioned loan of Rs. 80,000/-

p 25 ct. (4) to the Mills has been cancelled. No reasons were assigned to the cancellation order.

12. My Board of Director's was shocked to receive that order, and it decided-much against its will-to consult the Mills' ~~legal~~ legal adviser about the further steps to be taken in the matter. The legal adviser was strongly of the opinion that the Government has failed to discharge a specific performance of the terms of the mortgage deed and the Board shall have to file a suit against the Government.

p 7 ct. (D) 13. It is really gratifying to note that before my Board could take any action on the lines suggested by the legal adviser, G.O. No. M.S.2525 dated 24-6-1950 was received from the Director of Industries as per his communication No. S.A.3829-48 dated 6-7-1950 re-instating the loan.

We, now feel gratified that Government have reconsidere the cancelation order and have sanctioned disbursement, but my Board of Directors feel aggrieved by the condition imposed in the above Government order. Due to the delay in the disbursement of the sanctioned loan, even after the fulfillment of all the conditions, it is very surprising that fresh conditions are being imposed upon the Mills.

The latest balance sheet will show that the management has a stake in the finances which is far in excess from that of the objecting petitioners. The Managing Agents have invested Rupees One Lakh and more including share capital of Rs. 53,000/- thus bringing down the liabilities of the Company as against Rs. 12,000/- invested by the petitioners. The rest of the shareholders who have given their proxies to these at the general meeting were generally from Bombay and have been really misled by these petitioners. As such the majority in favour of the Board of Directors is very clear and the financial stake is very high.

The Government, we are sure, will now see that the loan of Rs. 80,000/- advanced by them on the charge of the assets of the Mill which is valued to nearly 2 lakhs, will be quite safe in the hands of my Board of Directors.

The present attitude of the Government has created a suspecion in the minds of the public, whether the Government is earnest in rendering State Aid to nascent Industries in this District. This will definitely have a very bad repercussion in the future Industrial growth of the District.

We feel that the facts stated above will be to the satisfaction of the Government. We therefore request both on behalf of the Mills and the District that on the facts stated above the Government will brush aside all these flimsy objections raised by a few disgruntled shareholders and order the immediate disbursement of the sanctioned loan so that this Industrial Enterprise may survive in this District and the public of the District may feel well that the Government is earnest in its intentions.

So, I pray that early disbursement of the loan be ordered.

Yours faithfully,

Chairman,
The Purnima Straw Board & Paper Mills Limited,
Moodbidri. S.K.

Copies submitted to:

1. Hon'ble Sri. A.B.Shetty,
   Minister for Agrilculture,
   Fort St. George, Madras.
2. The Director of Industries & Commerce
   Mackey's Garden, Cathedral Road,
   Madras.
3. Dr. U.P.Mallya,
   M.L.A.
   Camp: Madras.

Dev.Dept.

Pl. issue. concerned G.Os put up. Type enclosures carefully.
DM
12/8

1/148.

Memo No.75808 TII/50-1 dated 12-8-1950.

Sub:-Industries - State Aid to Industries - Loan of Rs.80,000/- sanctioned to M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri - Disbursement of the loan amount - Request.

(F)

In G.O.No.6142, Dev. dated 11-12-1948 (copy enclosed) a loan of Rs.80,000/- was granted to M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri, South Kanara, under the provisions of the Madras State Aid to Industries Act for the purchase of additional machinery and equipment for the factory. In January, 1949 some telegrams and petitions were received (copies enclosed) from certain Directors and shareholders of the company objecting to the disbursement of the loan. The Govt. examined the objections and ordered in G.O.No. 3560, Dev. dated 4-7-1949 (copy enclosed) that the compan should hold a General Body meeting of its shareholders and confirm the proceedings of its previous meeting held on 19-12-1948. The company accordingly held a General Body meeting on 26-2-1950. The resolution that the proceedings of the previous meeting of the general body held on 19-12-1948 be confirmed and ratified, when put to vote was passed by a majority of 808 votes, the votes cast in favour of the resolution being 7032 and those against being 6224. The same Directors and shareholders of the company again objected (copy of the petition enclosed). to the disbursement of the loan on the ground that the proceedings of the General Body meeting held on 26-2-1950 were illegal, void and ultra vires and stated that they were going to impeach the proceedings in a Court of Law. The whole question was again examined by the Govt. and in G.O.No.1857, Dev. dated 6-5-1950 orders were issued cancelling the grant~~ing~~ of the loan to the company. Subsequently on a recommendation made by the Board of Industries, it was ordered ~~that~~ in modification of the orders cancelling the grant of the loan, that the loan of Rs.80,000/- sanctioned to the company might be made available to them provided the Management and the shareholders of the company are able to compose their differences, to the satisfaction of the Govt., with

(M)

period of six months with effect from 24-6-1950.

2. A copy of the representation since received from the Chairman of the company requesting the immediate disbursement of the ~~company~~ loan is enclosed. The Registrar of Joint Stock Companies is requested to state whether the proceedings of the General Body meeting of the company held on 26-2-1950 are valid ~~or not~~. and whether the Govt may proceed on that basis.

9.8.50 10/8/50

6/8/50 2.8.50

To the Registrar of
Joint Stock Companies,
Madras
(with a copy of pp 19-20
c.f. of (H), pp 1-25 c
of (M), p.195 c.f. (M)
pp 1-59 c.f. (W),
pp 61-62 c.f. (W), pp 65-69 c.f. (W)
p.85 c.f. of (W)
p.7 c.f. of (T) and
pp 1-7 c.f.

Copy to the D.I. & C.
(with a copy of
pp 1-7 c.f.)

for cm 10/9

R.D. 10-9-1950.

11

75808/50

Dr.K.R.Kini
Chairman

The
Purnima
Straw Board and Paper Mills, Limited.

REGISTERED OFFICE:
MOODBIDRI, S. I.

Your Ref:
Our Ref:

THIRD ASST. SECRETARY TO GOVERNMENT
8 SEP 1950
DEVELOPMENT DEPARTMENT

Date 4-9-1950

91354/[illegible]

The Hon'ble Sri C.Perumalswami Reddiar
Minister for Industries.
Government of Madras.
Madras.

Dear Sir,

[illegible]

Ref: My letter dated 1-8-1950-addressed to you
Sub::Orders Prayed for early disbursement of the sanctioned Loan to theMills under the Madras State Aid to Industries Act.

Though the above letter was addressed to you a month back I am yet to get a reply from you.

2. Both the Mills and myself will be deeply indebted to you for early action proposed to be taken by you on my representation.

3 I once again appeal to you to order early disbursement of the sanctioned loan to the Mills.

4 I request you to favour us with Justice.

Yours truly
K.R.Kini
K.R.Kini
Chairman.

Copies to:
1. The Secretary Development Department
2. The Director of Industries and Commerce. Madras.

[illegible]

[illegible] 11/9/50

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12/9 $\frac{L}{199}$

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Dev Dept.

Memo. No. 75808 D II/50 - 2 Dated 11.9.50

Sub: Industries - State Aid to Industries - Loan of Rs. 80,000/- Sanctioned to M/s. The Purnima Straw Board and Paper Mills Ltd., Moodbidri - Disbursement of the loan amount - Request.

p 94

Ref: Govt Memo. No. 75808 D II/50 - 1 d/ 12-8-50.

The R. T. S. C. is requested to state when a reply to the memo cited may be expected. This may be treated as being urgent.

9-9-50

9/9/50.

1950

To. The R. T. S. C.

N. R. 29-9-50.

14

Memo no. 75808 DII-50.3 d 30.9.50. Dev. Dept. Spl

Sub:— Industries – State Aid to Industries – Loan of Rs. 80,000/- — Sanctioned to M/s. the Purnima Straw Board and Paper Mills Ltd. Moodbidri – Disbursement of the loan amount – Request.

Ref:— Govt. Memo no. 75808 DII/50.1 Dev. d 12-8-50 and reminder thereon d 11.9.50

The R. J. S. C. is requested to expedite his reply in the matter.

80
29/9/50

Ini:
29/IX/50

Initial
Ini:
30/IX/50

pp 9-10 c.f.
p1 above

To
The R. J. S. C.

Sd.
30.9.50

R. D. 7. x. 50

15

K.R.Kini.
Chairman.

The
Purnima
Straw Board and Paper Mills, Limited.

REGISTERED OFFICE:
MOODBIDRI, S. I.

ASST. SECRETARY TO GOV...
SEP 1950
...DEVELOPMENT DEPARTMENT...

Your Ref:

Our Ref:

Date 27-9-1950

To Hon'ble Perumalswami Reddiar Esq.
Minister For Industries.
Government of Madras. Madras.

Respected Sir,

99225

1-7711 abw Ref: My letter dated 1-8-1950 and 4-9-1950 addressed to you.
Sub: Orders Prayed for early disbursement of the sanctioned loan to the Mills under the Madras State Aid to Industries Act.

I am deeply indebted to you for holding a departmental enquiry on the alleged irregularities attributed to the Management and the Board of Directors of our Mills- by sending an Officer of your Department to investigate.

2 Duty bound I have ordered the Management to give all excess to the Investigation Officer into the records and proceedings of the Mills

3 If the investigation should prove that the Management and my Board of Directors by their actions have not violated any of the provisions of the Indian Companies Act, I earnestly request you to order early disbursement of the sanctioned loan to the Mills.

4 I once again request you to favour us with Justice.

Copies to: The Secretary,
Development Department.
Director of Industries.

Yours truly,
K.R.Kini
K.R.Kini.
Chairman.

17

COMPANIES **DEPARTMENT.**

*Received*______________19 *Registered*______________19

Subject.

THIRD ASST. SECRETARY TO GOVERNMENT
OCT 1950
DEVELOPMENT DEPARTMENT

Industries - State Aid to Industries - Loan of Rs.80,000/- sanctioned to M/s. The Purnima Straw Board and Paper Mills Limited - Disbursement of the loan amount r

99650

ENCLOSURES.
No.
Spare copies

No. C.2913/50,

Madras, dated the 27th September *19*50.

FROM (Name) Sri H.Krishnamurti,
REGISTRAR OF JOINT STOCK COMPANIES,

To

THE SECRETARY TO THE GOVERNMENT OF MADRAS,
Development DEPARTMENT.
Fort St.George, Madras.

SIR,

Ff 9-10 above

Ref: Government Memorandum No.75808-D II/50-1, Development, dated 12-8-50.

The Purnima Straw Board & Paper Mills Limited is a public company registered under the Indian Companies Act, 1913, having its registered office in South Kanara District. Its Managing Agents are M/s. G.Poi Brothers. The authorised, subscribed and paid up capitals of the company according to the balance sheet as on 31-8-49 are Rs.5,00,000/-, Rs.1,14,540/- and Rs.1,08,540/- respectively. In connection with the grant of a loan of Rs.80,000/- to the company under the provisions of the Madras State Aid to Industries Act, I have been asked to report whether the proceedings of its general meeting held on 26-2-50 are valid and whether Government may proceed on that basis.

2. At the outset, I have to point out that two general meetings were held on 26-2-50. One was an ordinary general meeting and the other an extra-ordinary one. The ordinary general meeting considered and adopted the Balance sheet as on 31-8-49. The confirmation of the proceedings of the general meeting held on 19-1248 was also a subject placed before that meeting, while the latter was the only matter placed before and considered by the extra-ordinary general meeting. The Chairman of the company in his letter dated 1-8-50 sent to Government has referred only to the ordinary general meeting. It is seen from the enclosures received along with the Government Memorandum cited above that there

p.t.o

has been and is a strong dispute between a set of shareholders and directors of the company most of whom are in Bombay on the one ~~the~~ side, and the managing agents' and their friends on the other. In view of this dispute the origin of which dates back to 19-12-48, I have to point out that the validity of the proceedings of the general meetings held on 26-2-50 cannot be considered by the proceedings themselves or only with reference to any other matter connected with the meetings. The dispute has a bearing on it. I invite attention of Government to the petition dated 27-2-50 of Sri M.V.Shenoy, Merchant, Madhav Bahuvan, Sewree, Bombay No.15, and four others. (Copy sent to me along with the above Government Memorandum). In para 2(XXV) they have questioned the validity of the proceedings of the meetings on several grounds. One of them is that the directors who convened the general meetings were not validly elected. If they were not validly elected the meetings cannot be said to have been validly held. The several objections thay have raised have therefore to be examined.

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of (L)
x M 7-10a
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A

3. When the general meeting was held on 19-12-48, there were 9 directors of whom 6 were in Bombay. Only three have signed the balance sheet and the directors' report placed before that meeting. One is Sri G.Gopal Pai and the two others appear to be his brothers. Three directors of Bombay, retired by rotation at the meeting. The petitioners complain and have been complaining ever since that meeting was called for, that they were not given due notice and that they had not ~~even~~ sufficient time to attend the meetings even through proxies. The procedure adopted in preparing and placing the balance sheet before the general meeting appears to be questionable as the majority of the Directors were left out of account. The shareholders had no opportunity to know what they had to say about the company's administration. The petitioners then filed a suit in the Sub-Court, South Kanara, questioning the validity of the proceedings of the general meeting. It was, however, withdrawn on a promise by the Managing Agents to convene a meeting of the company for considering a resolution regarding this matter. An extra-ordinary general meeting was later held on requisition by the shareholders of Bombay at Bombay on 20-11-49. The resolutions passed thereat are all recorded as passed unanimously. One of the subjects considered was the obtaining of the loan from Government. Its consideration was however postponed. A new set of directors was elected at this meeting. But the Managing Agents later refused to recognise the election as valid. They obtained legal opinion according to which the new directors did not give due notice to the company of their intention to get elected as directors as required by the Articles of Association before the meeting. The retiring Directors were also not removed in accordance with section 86-G of the Act as such removal was necessary in as much as they were not retiring in normal circumstances in an ordinary general meeting. This objection was raised despite the fact that Sri G.Gopal Pai, a director and partner of the Managing Agency firm of the company attended that meeting and voted for the resolution for the election of directors. This leads to the conclusion that the objection was pre-planned and that the meeting was convened only to appease the petitioners. Finally, the general meetings held on 26-2-50 were convened. As stated already the confirmation of the proceedings of the general meeting held on 19-12-48 was considered by both these meetings. The petitioners complain that they were not given due and proper notice for these meetings also. They have also stated that the directors who convened the meetings were those elected at the general meeting held on 19-12-48, the proceedings of which were objected to by them. The directors elected on 20-11-49 were also ignored. Further, the meetings were held after the period within which the Managing Agents promised to hold them. This is alleged to have been done designedly.

In support of this contention, it has been pointed out that the time taken by the Managing Agents was utilised for their gaining voting strength at these meetings. The contention appears to be well-founded as a Return of Allotment made on 22-1-50, filed by the company reveals that shares were allotted to the following persons who appear to be the friends and relatives of the Managing Agents:-

Name in full.	Address.	No. of Ordinary shares.
Srimathi Shanta G.Pai.	C/o G.Gopal Poi Moodbidri.	1250
Sri Rama S.Pai.	C/o G.Sridhar Pai, Moodbidri.	1250
Sri G.Gopal Poi.	Merchant, Moodbidri.	1000
Sri G.Sridhar Pai.	do.	1000
Sri U.Padmanabha Mallya. M.L.A., & Medical Practitioner.	Pentlandpet, Kodialbail Post, Mangalore.	10
Sri S.Panduranga Nayak,	Boloor, Mangalore.	10

Further according to Article 89 of the Company's Articles of Association, when a poll is demanded at a general meeting a member has one vote for every share held by him. A poll was demanded for all the resolutions passed by the general meetings held on 26-2-50 except for the resolution regarding appointment of auditor, it therefore appears that the allotment of shares was designedly done to gain voting strength. The objection raised regarding the allotment on the ground that it was done by the directors elected at the general meeting held on 19-12-48 also appears to be well-founded. In short, the various objections raised have force and can be examined and an authoritative verdict on their validity or otherwise given only by a competent Court. The petitioners have also indicated that they would take the matter to a court.

4. As regards the proceedings of the general meetings held on 26-2-50, the Balance sheet as on 31-8-49, was placed before one of them which was an ordinary general meeting. A resolution regarding confirmation of the proceedings of the general meeting held on 19-12-48 was also placed before that meeting with reference to G.O.No.3560, Development, dated 4-7-49 and was passed by 7032 votes against 6224. This resolution can be considered to have been validly passed if the objections raised by the petitioners are overlooked. The other meeting was an extra-ordinary general meeting, which was convened pursuant to the undertaking given by the Managing Agents to the petitioners (vide para 3 above). The only special resolution that was placed before this meeting was for setting aside the proceedings of the general meeting held on 19-12-48. The resolution was, however, amended before it was put to vote with a view to confirm the proceedings of the said meeting of 19-12-48. The amended resolution was put to vote and there were 6981 votes for and 5823 votes against the resolution. According to section 81(2) of the Act, the resolution was not validly passed as three-fourths of the members entitled to vote did not vote for it. It will be thus seen that the ordinary resolution regarding the confirmation of the proceedings of the general meeting held on 19-12-48 was passed at the ordinary general meeting held on 26-2-50 while a special resolution

✓ [illegible] 49 (H)

regarding the same subject was not passed at the extraordinary general meeting held on the same date. Viewed with reference to the objections raised by the petitioners, both these resolutions and the proceedings of the two general meetings held on 26-2-50 do not appear to be valid. As however, the matter is complicated, legal opinion may be obtained regarding it before deciding on further course of action.

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For Registrar. 30/9/50

cmp.30.9

30.9.50.

21

DEPUTY SECRETARY TO GOVERNMENT
30 1950
DEVELOPMENT DEPARTMENT

MINISTER FOR INDUSTRIES
30 SEP 1950
GOVERNMENT OF MADRAS

ASST. SECRETARY TO GOVERNMENT
1 OCT 1950
DEVELOPMENT DEPARTMENT

TO

THE HON'BLE THE MINISTER OF INDUSTRIES,
GOVERNMENT OF MADRAS,
SECRETARIAT, MADRAS.

The humble petition of Sri B. R. Kamath,
son of B. Narasimha Kamath,
Merchant, Moodabidri, Karkal Taluk, S.K.District.

9941
3/10/50

ADDITIONAL ASSISTANT SECRETARY TO GOVERNMENT
1 OCT 1950
DEVELOPMENT DEPARTMENT

The petitioner begs to state as follows:-

1. That, all notices to be served on the petitioner in this petition may be served on the petitioner to the address given above.

2. That, he and 4 others sent by registered post, a petition dated 27-2-1950, setting out the various facts and circumstances which the Hon'ble Minister of Industries may kindly consider, before the loan of ₨80,000/- is paid to the Purnima Straw Board & Paper Mills, Ltd., Moodabidri, South Kanara.

3. That, he also sent another petition dated 18-3-1950 by registered post, praying that the Asst. Registrar of Joint Stock Companies' Mangalore, S.K. may be kindly consulted as to whether the proceedings of the meetings held on 26-2-1950 have been filed within time by the Mills and have been duly recorded by him and as to the irregularity, illegality and invalidity or otherwise of the said proceedings.

4. That, to his letter dated 18-3-1950, addressed to the Assistant Registrar of Joint Stock Companies, Mangalore, South Kanara, he has been informed by the said Assistant Registrar as follows:-

"The Registrar of Joint Stock Companies, Madras, has ordered in his proceedings C-2361/50 dated 18-7-1950, that as the resolution dated 26-2-50 was not passed by the requisite majority of the members present, at the meeting as provided in Section 81 (2) of the Indian Companies' Act, 1913, the resolution cannot be treated as a special resolution. Hence the copy filed by the Company has not been brought on record."

5. That, he is a shareholder of the aforesaid Purnima Straw Board & Paper Mills, Ltd., Moodabidri, South Kanara District and as such, he is bringing to the notice of the Hon'ble Minister, the aforesaid order passed by the Registrar of Joint Stock Companies, Madras. He therefore prays that this fact may be also duly considered before the loan is paid to the said Mills.

Mangalore,
28-9-1950.

BRKamath

Petitioner.

The

Purnima Straw Board and Paper Mills, Limited.

REGISTERED OFFICE:
MOODBIDRI, S. I.

Cn: 101104 ~~Dt/50~~ 7/x/50 23

SECRETARY TO GOVERNMENT
7 OCT 1950
DEVELOPMENT DEPARTMENT

MINISTER FOR INDUSTRIES, GOVERNMENT OF MADRAS.
6-OCT 1950

Your Ref:
Our Ref:

Date 3-10-1950

Secy Dev
PR call for the
remarks of D.I.C.
6/x

Hon'ble Sri C.Perumalswami Reddiar,
Minister For Industries,
Government Of Madras, Madras.

Respected Sir,

Sub: Orders Prayed For Early Disbursement Of The Sanctioned Loan Of Rs 80000/ to the Mills.

[illegible]

On behalf of the Mills I as Chairman of the Board of Directo submited to you an appeal on 1-8-1950 and on that you have been pleased to order a Departmental Investigation. I am confident that the report of the Investigation Officer must be under your active consideration by this time. As such it will not be out of place to bring to your kind notice the following facts:

(H)

1- The Government sanctioned the Loan of Rs 80000/ to the Mills in G.O. No 6142- in 1948.
2- In July 1949 the Department handed over the Mortgage deed duly prepared by the Government Solicitor -to us for registration and an order was issued to us that on the presentation of the registered mortgage deed the Government would disburse the sanctioned loan to the Mills.
3- In July 1949 the mortgage deed was duly registered by us and was handed over to the department. The department did not disburse the loan but instead directed us to call a general body meeting of its shareholders and confirm the proceedings of its general body meeting held in 1948 and the disbursement would be made on submission of the said confirmation resolution.
4- You will please note that the entire assets of the Mills stands a charge to the Government since these 15 months although the Government has not as yet advanced the loan.

5- In February 1950 the Mills held its General Body meeting of its shareholders as required by the Government. The entire shareholders attended the meeting either in person or by proxy and the decision has been comunicated to the Government. The proceedings were held as required by the sections of the Indian Companies Act and as per the order of the Government in G.O.No.M.S. 3560 dated 4-7-1949- Development Department.

6- As per the above order the Department should have disburse the sanctioned loan. Instead an order was communicated to the effect that the loan stands cancelled. No reasons were assigned to the said cancellation. Subsequently it was told that the loan had to be cancelled owing to a petition of a half a dozen shareholders of the Mills alleging lot of irregularitiesn in the proceedings of said general meeting of the shareholders.

7- Subsequently on the recommendations of the Board of Industries the Goverment decides disbursement of the sanctioned loan provided the management and the shareholders of the Mills compose their differences to the satisfaction of the Goverement.

8- There are no quarrel between the shareholders in general and the management and the decisions are always binding on the company when they are made by a majority vote. The Managing Agents and my Board of Directors have never quarrelled and our decisions in the Board of Directors have been always unanimous. In the larger interest of this Industry we have always adjusted ourselves with the management and I can proudly say that the Management has never violated any of the decisions of the Board of Directors. It has been implictily following the decisions my Board of Directors.

9- Because a handful of shareholders out of 365 put lot of petitions to the Government in and out of seasons it can not be construed that there are differences between the Shareholders and the Management.

10- So we are pleased when you ordered an investigation by your Department. We have nothing to hide and in fact the Managing Agents have placed before the Investigation Officer every proceedings and documents.

11- We are confident that the Investigation Officers report must have been already submitted and the same is under the active consideration of the Government and if the report should prove that we have not violated any of the sections of the Indian Companies Act and the alleged charges thrown on the Management are baseless, I earnestly request you to order early disbursement of this sanctioned loan to the Mills.

12- The whole of this District of South Kanara is proud of this Industry and this noble gesture of the Goverment in disbursing the Loan will be recieved with great joy by the Public of this District. It will have a far reaching effect on the Public here.

So I once again appeal to you to favour us with Justice.

Yours faithfully

K. R. Kini.
Chairman of the Board of Directors.

Copies submitted to:
1- The Secretary,
Development Department
2- Director of Industries and Commerce. Madras

29D

DEPUTY SECRETARY TO GOVERNMENT
3 NOV 1950
DEVELOPMENT DEPARTMENT

The
Purnima
Straw-Board and Paper Mills, Limited.

REGISTERED OFFICE:
MOODBIDRI, S. I.

Your Ref.
Our Ref.

MINISTER FOR INDUSTRIES
2 NOV 1950
GOVERNMENT OF MADRAS

Date 31st October, 1950.

08277A
3.11.50

7
3-11-50

The Hon'ble Sri C. Perumalswami Reddiar,
Minister for Industries & Development
with the Government of Madras,
Fort St. George, MADRAS.

Dear Mr. Reddiar,

I am taking the liberty of addressing a personal letter to you, as Chairman of the Board of Directors of the above concern, in connection with the loan sanctioned under the State Aid to Industries Act.

2 In my previous communications I have laid all facts before you. You have been good enough to order an enquiry on this letter of mine. The latest was the opportunity given to the oppositionists. Only one share-holder appeared before the District Industries Inspector and he had nothing to say against the management, as far as I am aware of. The other gentleman who met the officer, though he came from Bombay, is not a share-holder. Yet, my information is that he had no complaint to make against the Company Management. So, this question of opposition complaining against us is not tenable.

S. Dev.
Pl. put up the file.
2/11

F. no. 5618

3 The Registrar of Joint Stock Companies, I am told, has sent his report with the

The
Purnima
Straw Board and Paper Mills, Limited.

REGISTERED OFFICE:
MOODBIDRI, S. I.

Your Ref:

Our Ref:

Date

remark that the question of the different meetings held by us may be referred to the legal department for confirmation of the legality of the proceedings and acts done by the Board of Directors. Our legal-adviser is definitely of opinion that there has been no contravention of the provisions of the Company Law at any stage. In case your legal department finds any objectionable points in our procedure, I request you to give our legal-adviser to meet such objections, if any, and convince you on the compliance of the legal issues by us.

3 I understand that you are likely to visit our District. On behalf of the mills I request you to set apart one hour at least to visit our mills and if convenient to lunch with us during the visit. If the legal department wants any clarification, I shall get our legal-adviser to meet you and give you any explanations necessary to meet the objections. So I shall be thankful if you will get the file with you and settle the matter once and for all. I am sure the mills will get justice at your hands and the Straw-Board Industry, the first of its kind in South India with a great future before it, will be allowed to go forward with success.

4 With kind regards,

Yours sincerely,

CHAIRMAN.

Knk/

B2/

To, A.S., Dev. Dept.

The representation from p/above of M/s. The Purnima Straw Board and Paper Mills Ltd. and H.M. (Ind)'s Minutes thereon at A on p/above may be perused.

The relevant file ~~on~~ was sent to Legal for their remarks with this Dept.'s u.o. No. 75808 DII/504 → 16671 dated 16.10.50. It has not so far been received back. Legal Dept. may be requested to treat the matter as special and return the file immediately with their remarks

80 3/11/50

Ho 3/11/50

Legal

4/11/50

Dev. u.o. No. 75808 DII-50-5
4.11.50

Legal Dept.

A2

The file referred to above is linked Legal No. 16671/50-1. This may therefore be returned to Dev. Dept.

2/11/50

7/11/50

Dev.

ASSISTANT SECRETARY
1 NOV 1950 15 B A
DEVELOPMENT DEPARTMENT

4-NOV-1950
LEGAL DEPARTMENT

109722 A
7.11.50

Legal No. 17573A/50-1
spl. with L.F. 16671/50-1

HM (Ind.)
'A' at page 21 below may please be considered
2/11/50
HM (Agri)

From G.Gopal Poi
Managing Agent.
The Purnima Straw Board and Paper Mills. Limited, Moodbidri, Dated 30th oct.50

To Hon'ble Sri. A.B.Shetty.
Minister For Agriculture.
Government of Madras. Madras.

Minister for Agriculture Govt. of Madras 2 11 1950

11005

3/11

Respected Sir,

I am not troubling you for a reply to this letter; this is only to bring to your kind notice a few facts in regard to the loan of the Government to the Mills.

Third Asst. Secretary to Govt. 4 NOV 1950

Dr.Mallya gave me to understand that our file has been forwarded to the legal department in veiw of a legal point raised by the Registrar of Joint Stock Companies, in his investigation report submitted to the Government on the petition of a few shareholders of our Mills.

It cannot be denied that a section of the shareholders of our Mills do not see eye to eye with the Managegment of the Mills.

Ours is a Managing Agency firm which is to manage the Company from its Incorporation to a period of 20 years. Under the provisions of the Indian Companies Act. the shareholders cannot remove the Managing Agents from office on any reasons whatsoever. The Managing Agents cease to function if it is proved by the High Court that it is insolvent. The Managing Agents on its own accord or resign the office.

In the day to day administration of the Company the Managing Agents are fully empowered to manage subject to the decisions of the Board of Directors which Board is responsible to the shareholders of the Company.

You will please note that in all the proceedings of the Board of Directors of our Company all the resolutions have been made unanimously since its incorporation. There have been no occasion of any rift between the Board and we- the Managing Agents. We have faithfully carried out all the decisions of the Board.

The Board of Directors are responsible to the Share holders who elect them every year in the Annual general meetings of the shareholders.

In our case a few shareholders who could not get elected as Directors got themselves annoyed and since then have been using all destructive methods to curb this Industry. Under the democratic principal they should have obeyed the majority decisions of their general meetings but unfortunately these gentlmen have taken a wrong path.

People such as Sri U.Srinivas Mallya Sri Sujir Pundilik Nayak and Dr. Mallya appealed to those gentlemen. With them these shareholders would say that they won't harm this Industry but at the back these people would go on putting all sorts of petitions to the Government and to all officers.

We have 365 shareholders in all with an investment of Rs 159000/ on shares. Out of them 6 shareholders are responsible to all these petitons and objections.

I am given to understand by Dr. Mallya that the Registrar of Joint Stock Companies Madras has submitted to the Government that since the 'Directors of the Mills have chosen to disagree the validity or otherwise of the third general meeting of the shareholders of our Mills which resolved on the Government order also be referedto the legal department.

That the 'Directors of the Mills have chosen to disagree ' is not true. As I have already placed before you the Directors have never disagreed and the proceeding of our Board of Directors is a proof.

With regard to particular General Body meeting all the shareholders of the Mills have attended the meeting either in person or by proxy and have participated in the meeting. Decisions have been made by the majority votes. There have been no walk outs; nor any protests from any section of the shareholders. All have cooperated with the Chairman in the deliberations. The Assistant Registrar of Joint Stock Companies Mangalore has filed our returns and has found them in order.

You will please find out that we have complied with all the conditions laid down by the Government; the mortgage deed has been registered and handed over to the Industries department . Since 16 months the Mills stands mortgaged to the Government without the loan being obtained. The Mortgage deed was got prepared by the Director of Industries and we have an order of the Director of Industries that the loan of Rs 80000/ would be disbursed on the presentation of the Registered mortgage deed. For some reason or other the disbursement of the loan is delayed for no fault of ours.

I am asked by Sri B.Vaikunta Baliga to request you for a favour. If the legal department should find any doubt with regard to the validity of the last general body meetings Sri Baliga wants himself to be heard by the said department before any decisions effecting adversally the disbursement of the loan to the Mills. Dr. Mallya has already written to you and I request you to write to Dr.Mallya if necessity should arise. Sri. Baliga has agreed to go over to Madras and do the needful in the matter.

I have taken the liberty to express my self and place before you for my plight. My entire is at stake in this Mills.

By disbursing the loan youe save the fair name of the District; You save an Industry- the first of its kind in the west coast- from utter ruin. And personally for me You are saving a family of 16 members which has sacrificed everything for this Industry. I shall Trasure it for Life this helping hand of yours.

With my respects.

Yours faithfully

To, A.S.,

Dev. Dept.

The representation from p1 above of the Managing Agent of M/s the Purnima Straw Board and Paper Mills Ltd. may be perused. The minutes of H.M. (Agri) and H.M. (Ind) thereon at 'M' on p1 above may also be perused.

The concerned file bearing C.no. 75808 DII/50 was sent to Legal with this Dept.'s u.o. no. 75808 D.II.50-4 dated 16.10.50 for their remarks. That Dept. was requested to treat the matter as special and return the file immediately along with their remarks in this Dept's u.o. no. 75808 DII/50-5 d/4.11.50. The file has not yet been received. Legal may again be requested to return the file immediately.

8/11
7/11/50

7
75808

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From
K. R. KINI,
M.B. & B.S.
Chairman,
Board of Directors,
The Purnima Straw
Board & Paper Mills, Ltd.,
Moodbidri.

Kodialbail P.O. (S.K.)
18th November, 1950

MINISTER FOR INDUSTRIES
20 NOV 1950
GOVERNMENT OF MADRAS.

SECRETARY TO GOVERNMENT
22 NOV 1950
DEVELOPMENT DEPARTMENT

11764
22.11.50

To
The Hon'ble Sri [illegible] aiswami Reddiar,
Minister for Industries to the Government
of Madras,
Fort St. George, MADRAS.

Dear Sir,

While thanking you for the kind interview you granted me on behalf of the Purnima Straw Board & Paper Mills, Ltd., Moodbidri, my faith in getting justice at your hands towards the grant of the loan of Rs.80,000/- sanctioned by the Government has been increased.

I have herein enclosed a memorandum giving the facts and their legal aspects as they are under the law. This will give you complete information and all details necessary for arriving at a just decision. Please allow me to point out one or two items that have been working against the Mills.

(1) Entertaining objections from the

38/

same set of shareholders who felt aggrieved by not being elected as Directors, after the time for objections expired and the mortgage deed was executed, though th did not raise any objections when they were in the directorate. It is, as I explained to you personally, due only to a sense of disappointment at not succeeding to get power for themselves.

(2) Misrepresentation of facts and misinterpretations of such facts.

The present memorandum is as exhaustiv as could be put forth with the limited facts at the disposal of the Mills. I feel sure both your departments will view them in the proper manner.

I am sure you will find from the record that there is no allegation of any misappropriation or other serious charges either against the Managing Agents or the present Board of Directors. Nor any malafides are imputed or proved. The Industry is now jus trying to be on its legs. I can assure the Government through you that the help rendered and trust placed at this critical juncture in the existence of the Mills, will not be misplaced.

With my best regards,

Yours sincerely,

CHAIRMAN.

Encl:

Copy of Memorandum
with enclosures 4

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THE PURNIMA STRAW BOARD & PAPER MILLS, LIMITED.

VERY BRIEF RESUME OF FACTS:

The Purnima Straw Board and Paper Mills, Ltd., was incorporated on 16-4-1946. The Managing Agency was constituted as a Pre-incorporative agreement duly ratified and executed after ratification. Managing Agents have striven hard and sunk their monies to a very large extent. Total investment by about August, 1948 was Rs.51,000/-.

2. In April, 1948, on behalf of the Purnima Straw Board and Paper Mills, Ltd., the Managing Agents of the Company applied to the Director of Industries for a loan of Rs.1,25,000/- under the State Aid to Industries Act. The Board of Directors at their meeting held on 7-8-1948, approved the action of the Managing Agents in applying for the loan on behalf of the Mills and empowered the Managing Agents to do all that is needful. (Copy of Resolution enclosed). This was at an undisputed time. The power so given by the Board regarding the validity of which no question has ever been raised stands unrevoked. Thus the Managing Agents are clearly competent to execute the document which has been already registered and disbursement of the loan to the Managing Agents is beyond any attack. Subsequent disputes between persons who claim to be directors have no bearing on the merits of the application or on the authority of the Managing Agents to effectually represent the Company and obtain the loan.

3. While matters stood like this at an undisputed time, the Director of Industries issued a notice by publication in August 1948, publishing the same in "The Hindu", "The Madras Mail", and "Indian Express", inviting objections if any from all or any person concerned on the subject of the loan application. No objections were received either from the shareholders or from the public. The Board of Industries in October, 1948, visited the Mills and recommended to Government the grant of Rs.80,000/- by way of loan. In the light of these recommendations the Government was pleased to issue order G.O. Ms. No.[illegible]142 dated 11-12-1948, sanctioning the loan.

4 The second ordinary annual general meeting was held on 19-12-1948. At this meeting 3 Directors had to retire by rotation and fresh directors had to be elected in their place. Naturally directors who were not re-elected became dissatisfied and began to attack the validity of the proceedings dated 19-12-1948. Some of the Directors who were not re-elected filed O.S. No.82/1949 on the file of the Subordinate Judge of South Kanara. Meanwhile they along with their partisans sent in a requisition under Section 78 of the Indian Companies Act, requiring an Extraordinary General Meeting to be held. Among the resolutions proposed, one related to the so-called invalidity of the General body meeting held on 19-12-1948. But as the matter was sub-judice, the extraordinary general body meeting was held with regard to the other matters. The extraordinary general meeting was convened to be held on 20-11-1949. Certain articles were sought to be amended and the number of seats in the Board was sought to be increased providing for what is called minority representation dispensing with the otherwise qualification-shares to be held by every director. But the crucial point was embodied in Resolution No.3 which ran as follows:

> 'Resolved that the Whole Board of Directors for the time being be reconstituted at this meeting excepting the Director ex officio nominated by the Managing

Agents" and names were proposed and passed'.

K On the very face of it, the Board that was constituted on the basis of this was ultra vires, illegal and futile.

5 Under Article 118 previous consent of the Directors has to be lodged at the Registered Office 7 days before the election takes place. This was not done. New seats created under the amended article were not notified for election and the shareholders had no notice of the seats being filled up. Further again the Directors who were validly in office cannot be removed unless by resignation or by extraordinary resolutions under Section 86 (g) of the Companies Act. The extraordinary proceedings of reconstituting a whole Board in its entirety was done by a single resolution. Judged by any test and viewed by any aspect this Board that was constituted by this meeting is illegal and incompetent and is in open violation of the provisions of the law and the articles of association of the Company. The contention that is now propounded is that this Board is proper and valid to function. Subsequent to the dismissal of the suit in O.S.82/1949 an extraordinary general meeting was called as per undertaking given to the court. But in as much as ~~the~~ divergent places were suggested for holding of the meeting in Bombay, the unobjectionable place, viz. the registered office of the Company had to be pitched upon. This meeting was held on 26-2-1950. Meanwhile there have been a number of representations, and misrepresentations and incorrect information submitted to the Government behind the back of the Company. The Company had not any opportunity to meet them. The Company is even till today not aware of all the particulars or details of the allegations made against it. But still from such information as the Company is able to gather from the tall boast that some of the enemies of the Company have been proclaiming, the Company wishes to make this representation. Consequent upon the communication from the Government sanctioning the loan of Rs.80,000/- the Company was called upon to place the papers before the Government solicitor and on 21-1-1949 the Director of Industries was pleased to write to the Company as follows:- M N

> "Arrangements will be made for the disbursement of the amount as soon as the mortgage deed, a draft of which will be prepared by the Government solicitor, Madras, and sent to you and has been duly executed and registered by your Company".

6 Persistent mis-representations by some of the disgruntled shareholders or their partisans who were not able to find their way into the Board ought not to be taken as gospel truth or being proper and valid. Anyway the Government was pleased to direct the Company under G.O.M.S.3560 dated 4-7-1949 to hold a general meeting of its shareholders and confirm the proceedings of its previous meeting held on 19-12-1948, before disbursement of Rs.80,000/- sanctioned to the Company in G.O.6246 dated 11-12-1948 under the State Aid to Industries Act. Accordingly in the 3rd ordinary general meeting held on 26-2-1950 the resolution embodied in item No. 4 (copy of the agenda enclosed and copy of the proceedings enclosed), was placed before the general body and the following resolution was passed: K p 105-[illegible] (M) pp 19-[illegible] (H) [illegible]

> Resolved that "All the proceedings of the annual general meeting held on 19-12-1948 be and are hereby confirmed and ratified".

7 The Company thought that the proceedings dated 26-2-1950 would set the matter at rest. But the Company has now learnt with deep sorrow that validity of this meeting dated 26-2-1950 is also being questioned. The Company learns that the disgruntled shareholders have submitted to the Government a

representation that the meeting is invalid on the grounds that the meeting was convened by the Directors whose election itself was being questioned. This is a pure mis-representation. Under law the 3rd annual general meeting of the shareholders had to be held. There is only one such meeting held. Persons who cavil at this validity of this meeting have done nothing to have any other meeting convened. Thus there are no two competing meetings with rival claims as to validity. Notice of ordinary general meeting has to be sent well in advance and copies thereof are submitted to the Asst. Registrar of Joint Stock Companies. It can be seen that the notice is issued by the Managing Agents and under article 75 of the articles of association the Managing Agents have got the power to issue the notice. Anyway the notice issued on 28-1-1950 and the proceedings held on 26-2-1950 have not been questioned by anybody in any competent court. In fact the proceedings of the 3rd ordinary general meeting dated 26-2-1950 are the only proceedings passed by the Company. There has been nothing at all done by any shareholder to attack the same. Now nearly a period of 9 (nine) months has elapsed and nothing has been done. If threats founded on untruth are to be allowed to stand for all time to come it will lead to disastrous state of affairs causing harm to the Company and without any advantage except malicious satisfaction to dis-gruntled shareholders.

8 It is also learnt that the further attack is led against the proceedings of the extraordinary meeting dated 26-2-1950 that it is not passed by a ¾ majority. In this connection it is necessary to remember the clear distinction between a special resolution and a special business. Special resolution is required under Section 81 for certain purposes, like the amendment of the articles of association and other requirements. But for review and ratification of any proceedings a ¾ majority is not wanted. The resolution need not be passed as a special resolution. Fallacy creeps into the reasoning when special business is equated or mistaken for special resolution. Ordinary business or ordinary general meeting can be for receiving the annual report, passing of Balance Sheet, election of Directors, declaration of Dividend and appointment of Auditor. All business even of an ordinary meeting other than the few subject-heads mentioned in the preceding sentence is deemed a special business, (vide article 77 of the Company and/or Regulation 50 of Table A of Companies Act). This special business like any other business, is to be considered and dealt with like any other business by the shareholders and decided by a majority. Yet again majority as it exists at the time of the meeting and not on any anterior time is to be considered. The shareholders to whom shares have been allotted and whose names are found in the Register are entitled to participate in the proceedings. If any person feels dissatisfied by the inclusion of names of such shareholders in the Share Register he should take steps to challenge such names. The Share Register has been accepted and is corrected up to date. If persons whose names are found in the Share Register are not included, it lays open the Company to action in a court of law. Anyhow until and unless the allotment is held to be illegal, the views of the majority of the shareholders entered in the Share Register are valid and binding on the Company. Further the position of law also is that even if any irregularities are found to exist in the allotment of shares, such allotment is not void. It may kindly be noted that Company was not called upon to have the proceedings ratified by ¾ majority (as per G.O.M.S. No.3560/4-7-1949).

9 So long as the Managing Agency is subsisting and the Managing Agents borrow the money and utilise it for the benefit of the Company, the Company is bound irrespective of other considerations, to repay the money to the creditor from whom

the amount is borrowed. In this case the Government money can never be lost or be in jeopardy. Even in cases where the borrowing has been in excess of the powers of the Directors or of the Managing Agents the position of law is that no principal will be allowed to retain the benefit of a loan borrowed and utilise for the benefit of the Company. (I. L.R. 60 B 326 - 1940 under 202 A.I.R.). The loan that is now sought to be disbursed is for the purchase of machinery which becomes the property of the Company. There are sufficient safeguards to see to the application of the money under the terms of the mortgage, under the rights vested in the Government and the Director of Industries. There is not the slightest chance or possibility of any part of the amount that the Government will advance being mis-appropriated or wrongly appropriated. Directors and the Managing Agents who are handling this money will be laying themselves open to civil and criminal action attracting themselves to the personal liability to pay to the Government if any of the funds are appropriated for any purpose other than that of the Company. In short allowing the view of the dis-gruntled shareholders is the very negation of the principle of democracy. The period which has elapsed shows acquiescence even by the dis-gruntled shareholders. Expenses incurred by the Company justify the Company in urging upon the Government in disbursing the loan. The Managing Agents the validity of whose appointment is not questioned are the persons to use the money for the purchase of machinery, etc. The third annual general meeting at which the proceedings were ratified are proper and valid. Requisition meeting placing the resolution for holding the proceedings dated 20-11-1949 as ultra vires has not been passed by the requisite majority of ¾ but has on the other hand been amended by the General Body and passed by a majority approving the correctness of the proceedings.

10 Under the circumstances it will work an unmerited hardship on the Company if the disbursement of the loan is not made.

D

11. The Company, therefore, earnestly appeals to the Government to be graciously pleased to review the whole situation and do justice to the Company at an early date.

(K. R. MINI, M.B.,B.S.),
Chairman,
THE PURNIMA STRAW BOARD & PAPER MILLS, LIMITED.

Lnk/

THE PURNIMA STRAW BOARD & PAPER MILLS, LIMITED,

Moodbidri.

PROCEEDINGS OF THE MEETING OF THE BOARD OF DIRECTORS HELD ON 7-8-1948, at 4 p.m., at the Registered Office of the Company, At Moodbidri.

x x x x x x x

x x x x x x x x

RESOLUTION NO. 2:

This meeting read and recorded the copy of the application made in this connection to the Government of Madras by the Managing Agents.

It is "Resolved that the above actions of the Managing Agents made on behalf of the Company be and are hereby approved and ratified. It is also resolved that the Managing Agents, Messrs. G. Pai Brothers be and are hereby empowered to approach and move the Government of Madras in the matter of sanctioning the loan applied for by the Company. It is also further resolved that the Managing Agents be and are hereby empowered to execute for and on behalf of the Company necessary loan papers including Bonds for charging all or any of the Company's assets in favour of the Government of Madras for the amount of loan that may be sanctioned by them in response to the loan application made by the Company and to mortgage or charge all or any of the properties of the Company both present and future including the factory plot, buildings, Plant & machineries and all such moveable and immoveable properties of the Company for the purpose of borrowing from the Government of Madras and also to do such other acts in furtherance thereof as may be required by the Government of Madras".

(Sd.) G. VASUDEVA PAI,

CHAIRMAN.

/True Copy/

28/11/50

Chairman

Mnk/

THE PURNIMA STRAW BOARD & PAPER MILLS, LIMITED,

Moodabidri.

PROCEEDINGS OF THE 3rd ANNUAL GENERAL MEETING OF 26-2-1950 AT 10 a.m., AT THE REGISTERED OFFICE OF THE COMPANY.

Present: (1) Dr. T. R. Kini and 43 other shareholders were present as per Attendance Register.

The Managing Agents' Partner, Sri G. Gopal Pai read the notice of the meeting.

The Chairman in a short speech gave an idea of the Industry and the present position of the Mill and appealed for the co-operation of the shareholders.

The Chairman then formally moved the following resolution:

(1) "Resolved that the Directors' Report, Audited Balance Sheet and Profit & Loss Statement for the year ending 31-8-1949 be adopted" - Sri N. P. Murayar seconded the resolution.

Sri B. Ramakrishna Kamath opposed and Sri P. Damodhar Kamath seconded the opposition.

Passed by a majority on a show of hands.

A poll was demanded by the following:

(1) Sri B. Ramakrishna Kamath; (2) Sri Vaman Vasudeva Shenoi; (3) Sri N. [illegible] Kamath; (4) Sri Nagesh Achutha Shenoi; (5) Sri Madhav V. Shenoi.

The poll will be taken at the end of the meeting.

(2) To elect three Directors in the place of Directors: (1) Sri K. [illegible] Gaitonde, (2) Sri G. Vasudeva Pai and (3) Sri G. Gopal Pai. The proposal to elect the following shareholders have been also received in due time. (1) Sri P. Damodhar Kamath and (2) Sri H. Rayappa Laxman Prabhu.

"Resolved that the following shareholders be elected as Directors:

(a) Sri H. Rayappa Laxman Prabhu; (b) Sri G. Vasudeva Pai and (c) Sri G. Gopal Pai". - Proposed by Sri A. C. Narasimhayya and seconded by Sri P. Ganesha Pai .- Passed by a majority on a show of hands.

An alternative resolution was proposed by Sri B. Ramakrishna Kamath and seconded by Sri Madhav Shenoi as follows:

"Resolved that Messrs (1) H. Rayappa Laxman Prabhu, (2) P. Damodhara Kamath and (3) K. [illegible] Gaitonde, be elected as Directors in place of the retiting Directors". - fell through by a majority on a show of hands.

A poll was demanded by the following shareholders: (1) Sri B. Ramakrishna Kamath, (2) Sri Nagesha Achutha Shenoi, (3) Sri Madhav V. Shenoi, (4) Sri N. [illegible] Kamath, (5) Sri V. V. Shenoi. The poll will be taken at the end of the meeting.

(3) To appoint an Auditor for the year 1949-'50 and fix his remuneration. Last year's Auditor, Sri A. Umanath Rao, B.A., G.D.A., D.Econ., F.C.A., Chartered Accountant, is eligible for re-election and is willing to accept the offer.

"Resolved that Sri A. Umanath Rao, B.A., G.D.A., D.Econ., F.C.A., Chartered Accountant, be elected Auditor for the year 1949-'50 and on remuneration of Rs.100/- for the year".

Proposed by Sri A. C. Narasimhaya and seconded by Sri M. P. urayar - Passed unanimously.

(4) In view of the fact that the Government of Madras has in G.O. No. 3560 dated 4-7-1949, Development Department intimated to the Company to hold a General Meeting of its shareholders and confirm the proceedings of its previous meeting held on 19-12-1948 before disbursement of the sum of Rs.80,000/- (Rupees Eighty Thousand only), sanctioned to the Company in G.O. No. 6142, - Development, dated 11-12-1948, under the State Aid to Industries Act, the following resolution is placed for being passed:

"Resolved that all the proceedings of the Annual General Meeting held on 19-12-1948 be and are hereby confirmed and ratified" - Proposed by Sri A. C. Narasimhaya and seconded by Sri G. Vasudeva Pai - Passed by a majority on a show of hands.

A poll was demanded by Messrs. (1) B. Ramakrishna Kamath, (2) P. Damodhar Kamath, (3) M. Sridhara Padival, (4) Vaman Vasudev Shenoi, (5) Madhav Vasudev Shenoi. The poll will be taken at the end of the meeting.

The items in the Agenda having been considered and votes by show of hands having been taken as recorded above polling of votes for the polls demanded was taken up.

The following members left the meeting before votes were taken by show of hands:

(1) Sri [illegible] D. Ramanna Shetty.

The following members are not entitled to vote as they are in arrears of share-capital:

(1) Sri K. Devaraja Shetty and (2) Sri Shivanna Sherigar.

The proxy papers were then distributed for each resolution separately and the members were requested to come to the Chairman' table for recording their votes one by one.

RESOLUTION NO. 1:

The votes cast were counted by the Chairman and the result was as follows:

In favour of the Resolution	7,032
Against the Resolution..	6,024
Majority in favour of the Resolution:	1,008

The motion was adopted by a majority and the Director's Report, Audited Balance Sheet and Profit & Loss Statement were declared adopted.

RESOLUTION NO. 2:

As both the resolutions contained a common name of Sri H.

Rayappa Laxman Prabhu, his name was not put for the poll. He was declared duly elected as a Director. The four other names were then put the poll and the result of the counting of the votes by the Chairman was as follows:

(1)	Sri G. Vasudeva Pai	7,029
(2)	Sri G. Gopal Pai	7,032
(3)	Sri L. [illegible] Gaitonde	6,224
(4)	Sri [illegible] Damodhar Kamath ..	6,227.

The following persons who got the first two highest number of votes were declared elected as Directors for the two remaining places:

(1)	Sri G. Gopal Pai - -	7,032.
(2)	Sri G. Vasudeva Pai -	7,029.

So for the three places vacant on the Board of Directors the following were declared duly elected:

(1) Sri N. Rayappa Laxman Prabhu,
(2) Sri G. Gopal Pai,
(3) Sri G. Vasudeva Pai.

RESOLUTION NO. 4:

The votes cast were counted by the Chairman and the result was as follows:

In favour of the motion	7,032.
Against the motion	6,224.
Majority in favour	808.

The motion confirming the resolutions passed at the 2nd Annual General Meeting held on 1[illegible]-12-1948 was declared adopted.

With a vote of thanks proposed by Sri N. T. Murayar to the Chairman, the meeting terminated.

(Sd.) K. R. KINI,
CHAIRMAN.

/True copy/

Chairman

Knk/

THE PURNIMA STRAW BOARD AND PAPER MILLS, LIMITED.

57

(Incorporated Under The Indian Companies Act 1913, With Limited Liability)

BALANCE SHEET AS A[illegible]1ST AUGUST, 1949

Capital & Liabilities	Rs.	As.	Ps.	Rs.	As.	
Capital:						
Authorised & Issued:						
50,000 Ordinary Shares of Rs. 10/- each				5,00,000	0	0
Subscribed & Paid Up:						
11,454 Ordinary Shares of Rs. 10/- each fully called	1,14,540	0	0			
Less: Calls in Arrears	6,000	0	0	1,08,540	0	0
Application Money on Shares:						
Pending Allotment				110	0	0
Loans:						
Unsecured:						
Advances by Managing Agents	88,507	13	8			
Interest Accrued & Due	5,396	8	7	93,904	6	3
Liabilities:						
For Goods Supplied	5,422	3	4			
" Expenses	625	15	9	6,048	3	1
Total				**2,08,602**	**9**	**4**

Property & Assets	Rs.	As.	Ps.	Rs.	As.	Ps.
d Capital Expenditure:						
Freehold Land: at cost				10,911	0	0
Factory Buildings:						
Cost up to 31-8-1948	41,064	0	5			
Add: Additions during the Year	646	4	6	41,710	4	11
Plant & Machinery:						
Cost up to 31-8-1948	85,041	1	8			
Add: Additions during the Year	9,618	4	1			
Conveyance & other Charges	698	5	3			
Factory Staff Maintenance Charges up till production	3,318	2	4	98,675	13	
Office Furniture: At cost	842	11	0			
Add: Additions during the Year	142	7	9			
	985	2	9			
Less: Depreciation to-date	137	2	9	848	0	0
Typewriter: At cost	540	0	0			
Less: Depreciation to-date	110	0	0	430	0	0
Library Books: At cost				34	1	0
Preliminary Expenses:				4,996	7	0
Industries State Aid Expenses:						
T.A. & Expenses to Directors	2,389	6	0			
Paid to the Provincial Govt.	2,113	7	0	4,502	13	0
Stock At Close:						
At cost or market price whichever is lower as per Inventories certified by the Managing Agents:						
Finished Products	2,400	0	0			
Stores & Lubricants	4,718	0	0			
Packing Materials	880	0	0			
Stock of Stationery	139	12	9	8,137	12	9
Book Debts: Considered good				1,087	11	8
Advances: Recoverable in cash				544	2	4
Cash & Other Balances: Petty Cash				81	12	9
Profit & Loss Account:						
Loss as per last Balance Sheet	16,678	12	0			
Add: Loss for the year	19,963	14	7	36,642	10	7
Total				**2,08,602**	**9**	**4**

MOODBIDRI,
Dated 22-1-1950

Sd) ***K. R. Kini***
CHAIRMAN

Sd) ಗೋಪಾಲ ಲಕ್ಷ್ಮಣ ಪ್ರಭು
Sd) ***Gopal Poi G.***
Sd) ***G. Vasudev Pai***
Sd) ***P. Padmaraj Shetty***
Directors

For G. POI BROTHERS,
Sd) ***G. Shridhar Pai***
PARTNER
Managing Agents.

Sd) ***A. Umanath Rao,***
B.A., G.D.A., D.Econ., F.C.A
CHARTERED ACCOUNTANT,
Auditor.

The Purnima Straw Board and Paper Mills, Limited.

(INCORPORATED IN INDIA WITH LIMITED LIABILITY)
Registered Office: MOODBIDRI, South Kanara.

Notice of the Third Ordinary General Meeting.

Sir/Madam,

Notice is hereby given that the Third Ordinary General Meeting of the members of the Company will be held at the Registered Office of the Company on Sunday the 26th February 1950 at 10-30 A. M. to consider the following agenda:

1. To receive, consider and adopt the Directors' Report and the audited Balance Sheet and Profit & Loss Account for the year ended 31st. August 1949.

2. To elect three Directors in the place of Directors:
   (i) Sri K. N Gaitonde.
   (ii) " G. Vasudeva Pai &
   (iii) " G. Gopal Pai.
   who retire under article 110. All are eligible for re-election.

3. To appoint an Auditor for the year 1949/50 and fix his remuneration. Last year's Auditor **Sri A. Umanath Rao,** B. A., G. D. A., D. Econ. F. C. A., Chartered Accountant is eligible for re-election and is willing to accept the office.

4. In view of the fact that the Government of Madras has in G. O. No. 3560 dated 4-7-1949 Development Department has intimated to the Company to hold a General Meeting of its shareholders and confirm the proceedings of its previous meeting held on 19-12-1948 before disbursement of the sum of Rs. 80,000/- (Rupees eighty thousand only) sanctioned to the company in G. O. No. 6142 Development dated 11-12-1948 under the State Aid to Industries Act, the following resolution is placed for being passed.

"Resolved that all the proceedings of the Annual General Meeting held on 19-12-1948 be and are hereby confirmed and ratified."

It is requested that you would be good enough to attend the meeting. If, however, you find it inconvenient to do so you could appoint another shareholder of the Company as your proxy by duly filling up the proxy form enclosed.

The Register of members and transfer books of the Company will remain closed from 12th February, 1950 to 28th February 1950, both days inclusive. All proxy papers should be deposited at the Registerd Office of the Company not less than 72 hours before the time fixed for holding the meeting or any adjourned meeting at which the appointee proposes to vote.

By order of the Board,
For G. POI BROTHERS,
G. Gopal Pai,
Partner.
Managing Agents.

Office of the Company,
Moodbidri,
28th January 1950.

The Purnima Straw Board & Paper Mills, Ltd

(Incorporated in India with Limited Liability)
Registered Office:- MOODBIDRI. South Kanara.

BOARD OF DIRECTORS.

1. Dr. K. RAGHAVENDRA KINI M.B. & B.S, Mangalore. *Chairman*
   Director:- The Bank of Mangalore Ltd.
   " The Canara Medical Supplies Ltd.
2. Sri K. N. GAITONDE, Bombay
   Chairman:- Universal Industries (India) Ltd.
   Director:- Associated Bus Company Ltd.
3. Sri ANANTH VITTAL PRABHU, Bombay.
   Chairman:- The Prabhakar Bank Ltd.
   Director:- Vijaya Ice & Soda Factory Ltd.
4. Sri DAMODHAR N. SHENOI, Bombay.
5. Sri GOPAL LAXMAN PRABHU, Moodbidri.
6. Sri PATNASHETTY PADMARAJA SHETTY, Moodbidri.
7. Sri G. VASUDEV PAI, Moodbidri.
8. Sri GOPAL POI G., Moodbidri.
   Director:- The Bank of Mangalore Ltd.
   " The Prabhath Printers Ltd.
9. Sri G. SRIDHARA POI, (Ex-Officio) Moodbidri.

Managing Agents.

G. POI BROTHERS.

Auditor.

Sri A. UMANATH RAO, B.A., G.D.A., D. ECON., F.C.A.
Chartered Accountant.

Legal Adviser

Sri B. VAIKUNTA BALIGA, B.A., B.L., Vakil, Mangalore.

59

DEPUTY SECRETARY TO GOVERNMENT
4 DEC 1950
DEVELOPMENT DEPARTMENT

MINISTER FOR INDUSTRIES
30 NOV 1950
GOVERNMENT OF MADRAS.

TO

THE HON'BLE THE MINISTER OF INDUSTRIES,
GOVERNMENT OF MADRAS,
SECRETARIAT,
MADRAS.

123137 /50
6.12.50

1/12

The Humble Petition of Sri B. R. KAMATH,
son of B. Narasimha Kamath,
Merchant, Moodabidri, Karkal Taluk,
South Canara District.

The petitioner begs to state as follows:-

1. That, all notices or correspondence to be served on the petitioner may be served on the petitioner to the address given above.

2. That, he and 4 others sent, by registered post, a petition dated 27-2-1950 setting out the various facts and circumstances, which the Hon'ble Minister of Industries, may be kindly pleased to consider, before the loan of Rs80,000/- is paid to the Purnima Straw Board & Paper Mills, Ltd., Moodabidri, South Kanara.

3. That, he sent another petition dated 18-3-50, praying that the Assistant Registrar of Joint Stock Companies, Mangalore, South Kanara, may be also kindly consulted as to whether the proceedings of the meeting held on 26-2-1950, by the Purnima Straw Board and Paper Mills, Ltd., have been filed within time by the Mills, and have been recorded by him and as to the irregularity, illegality and invalidity or otherwise of the proceedings.

4. That, he also sent another petition in September 1950, bringing to the notice of the Hon'ble Minister, the order of the Registrar of Joint Stock Companies, Madras, to the effect, that the resolution dated 26-2-1950, was not passed by the requisite majority of the members present at the meeting as provided in Section 81 (2) of the Indian Companies' Act, 1913 and that the said resolution cannot be treated as a special resolution

5. That, he is a shareholder of the aforesaid Purnima Straw Board and Paper Mills, Ltd., Moodabidri and as such he is bringing to the notice of the Hon'ble Minister, the following facts also, viz.,

He and 5 other shareholders, of whom two are directors, have filed on 22-11-1950 a suit in the Court of the Subordinate Judge of South Kanara, against the Purnima Straw Board and Paper Mills, Ltd. and the Managing Agents of the said Mills and others for the following reliefs:-

(a) For a declaration that the annual ordinary general meeting of the members of the Purnima Straw Board & Paper Mills, Ltd., held on 19-12-1948 and the proceedings thereof are illegal, invalid, void a are of no effect and for a mandatory injunction dire ing the Managing Agents of the Mills to call for a proper and valid ordinary annual general meeting of the members of the Mills in the place of the annual ordinary general meeting of the members of the Mills held on 19-12-1948.

(b) For an injunction restraining the directors elected at the annual ordinary general meeting of the Mills held on 19-12-1948 from participating in the meetings of the Board of Directors of the Mills.

(c) For a declaration that the extraordinary general meeting of the members of the Mills held on 26-2-1950 and the proceedings thereof are illegal, void, invalid and are of no effect and for a mandatory injunction directing the Managing Agents of the Mills to call for a proper and valid extraordinary general meeting of the members of the Mills at Bombay in the place of the extraordinary general meeting of the members of the Mills held on 26-2-1950.

(d) For a declaration that the ordinary annua general meeting of the members of the Mills held on 26-2-1950, and the proceedings thereof are illegal, void, invalid and are of no effect and for a mandatory injunction, directing the Managing Agents of the Mills, to call for a proper and valid ordinary annual general meeting of the members of the Mills in the place of the ordinary annual general meeting of the members of the Mills held on 26-2-1950.

(e) For a declaration that the allotment of shares of 4,520 shares by the alleged Board of Directors of the Mills on 22-1-1950 is illegal, invalid, fraudulent, void and are of no effect and for an injunction restraining the allottees from voting in respect of the shares so allotted in any ordinary annual general meeting or extraordinary general meeting of the Mills.

(f) For a declaration that the extraordinary general meeting of the members of the Mills held in Bombay on 20-11-1949 is legal, valid and binding on the Mills and for an injunction restraining the Managing Agents of the Mills from preventing those elected as directors in the said meeting from participating in the meetings of the Board of Directors of the Mills.

(g) For a declaration that the plaintiffs, Sri K. N. Gaithonde and Anantha Vittal Prabhu, do continue as Directors, notwithstanding the proceedings of the ordinary general meeting of the Mills, general meeting of the Mills dated 26-2-1950 and for an injunction restraining the directors elected in the place of the said plaintiffs from participating in the meetings of the Board of Directors of the Mills.

6. He therefore prays that this fact may be also duly considered before the loan is paid to the said Mills.

BVKamath

Moodabidri,
23-11-1950.

Petitioner.

63 Dev. Dept.

Issue to-day
19.2.51

P 105 to (M)
P " to (u)
P 7 " "
1 " " 5
P 7 5 ct

ACTS AND RULES - State Aid to Industries Act - M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri-Loan of Rs.80,000/- sanctioned - Disbursement of the loan amount by taking personal security bond from the Managing Agents of the company guaranteeing the repayment of the loan - Ordered.

Read again: G.O.No.3560, Dev. dated 4-7-1949.
G.O.No.1857, Dev. dated 6-5-1950.
G.O.No.2525, Dev. dated 24-6-1950.

Read also: From the Chairman, The Purnima Straw Board and Paper Mills Ltd., Moodbidri d/1-8-1950.
-do- d/18-11-1950.

G.O.No. 742 Ms dated 19-2-1951

In modification of ~~all~~ the orders issued in the G.Os cited, H.E. the Governor of Madras directs that the loan of Rs.80,000/- (Rupees eighty thousand only) sanctioned to M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri in G.O.No.6142, Dev. d/11-12-1948, be disbursed to the company, subject to the following additional conditions:-

(1) ~~that~~ the father manager of the minor son, Vaikunta Pai, should give a guarantee specifically indemnifying Govt. against ~~x~~ any loss or damage that may be sustained by them or to which they may become liable as a result of the doubt regarding the company's title to the land which has been offered as security for the loan, and

(2) the Managing Agents of M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri, should execute a personal security bond guaranteeing the repayment of the loan, in addition to the conditions imposed in G.O.No.6142, Dev. dated 11-12-1948.

2. The D.I. & C. should satisfy himself that the persons giving the personal security bond are sufficiently solvent.

BSR 16.2.51
16/2/51
16/2/51

To the D.I. & C.
the A.G. thro' the Fin. Dept.

S.F.1 s/cs 2.

28

65

The Managing Agents,
The Purhima Straw Board & Paper Mills Limited.
Moodbidri- South Kanara

Dated 27-3-1951.

SECRETARY TO GOVERNMENT
30 MAR 1951
DEVELOPMENT DEPARTMENT

MINISTER FOR INDUSTRIES
29 MAR 1951
GOVERNMENT OF MADRAS

Secy Dev
el
29/3

To Hon'ble Sri.Pe[illegible]lswami Reddiar,
Minister for Industries,
Government of Madras,
Fort St.George,
Madras.

Respected Sir,

p.63 cf © 742, DW
Go No 3937
19.2.51
30.3.51

Sub-Disbursment of the Sanctioned Loan of Rs 80,000/ to the Mills- On the fullfillment of the latest condition-Execution of a Bond by the Managing Agents- Orders Prayed for the Disbursement of the Sanctioned Loan.

We are deeply indebted to you, Respected Sir, for once again deciding to disburse the sanctioned loan of Rs 80,000/- to the Mills.

In this connection we request you to allow us to submit the following facts for your kind consideration and favourable orders.

Not put up.

1. The Loan of Rs 80,000/- was sanctioned to the Mills by an order of the Government of Madras-Development Department- G.O.M.S.No-6142-Dated-11-12-1983.

2. The Government Solicitor Madras prepared the Mortgage deed as directed by the Director of Industries, and it has been duly executed and registered by us on 4-7-1949 and the same has been handed over to the Department.

NC

3. A communication from the Director of Industries S.A.No-3829-48 Dated 21-1-1949 reads as follows-

> " Arrangements will be made for the disbursement of the amount as soon as the Mortgage deed, a draft of which will be prepared by the Government Solicitor, Madras and sent to you has been duly executed and registered by your Company."

p.63 cf ©

4. The Government has been pleased to order disbursement of the Loan to the Mills, now,after the Managing Agents-G.Poi Bros, execute a personal Bond assuring prompt payment of the Instalments of the Loan by the Mills.

5. We are pleased to submit that the State Counsel is preparing the said Bond as directed by the Director Of Industries, to be handed over to us for execution. We are expecting the same in a week's time. On reciept of the same it will be executed and handed over to the Department.

6. We once again submit that we have fullfilled all the conditions laid down execept the Bond of the Managing Agents-Vide-para 5-which will be also executed on reciept of the same from the Department.

This submission is made praying for early disbursement of the loan on the presentation of the Bond of the Managing Agents duly executed.

We beg to remain
Sir,

Yours faithfully
For G.Poi Bros.

Partner.
Managing Agents.

Copies submitted to-

Secretary, Development Department.
Fort St.George.
Madras.

Director of Industries & Commerce,
Mackey's Garden
Madras.

A

66

Dev. Dept.

To A.S

The letter from the Managing Agents, M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri on p.1 above may be perused. ✓

✓ 'A' on p.1 above — A copy of the letter has been sent to the D.I.S.C and he will take necessary action for the disbursement of the loan amount.

2. No action seems called for here May be lodged and added to the G.O. at ©

BSN
2.4.57

2/4/57.

3.4.57

Same as p 1

~~3~~ 6,7

The Managing Agents,
The Purnima Straw Board & Paper Mills Limited.
Moodbidri- South Kanara

Dated 27-3-1951.

To Hon'ble Sri.Perumalswami Reddiar,
Minister for Industries,
Government of Madras,
Fort St.George,
Madras.

SECRETARY TO GOVERNMENT
29 MAR 1951

35952

Respected Sir,

Sub-Disbursment of the Sanctioned Loan of ₨ 80,000/- to the Mills-
On the fullfillment of the latest condition-Execution of a Bond by the Managing Agents- Orders Prayed for the Disbursement of the Sanctioned Loan.

ASST. SECRETARY TO GOV...
30 MAR 1951

We are deeply indebted to you, Respected Sir, for once again deciding to disburse the sanctioned loan of ₨ 80,000/- to the Mills.

In this connection we request you to allow us to submit the following facts for your kind consideration and favourable orders.

1. The Loan of ₨ 80,000/- was sanctioned to the Mills by an order of the Government of Madras-Development Department- G.O.M.S.No-6142- Dated-11-12-1948.

2. The Government Solicitor Madras prepared the Mortgage deed as directed by the Director of Industries, and it has been duly executed and registered by us on 4-7-1949 and the same has been handed over to the Department.

3. A communication from the Director of Industries S.A.No-3829-48 Dated 21-1-1949 reads as follows-

> Arrangements will be made for the disbursement of the amount as soon as the Mortgage deed, a draft of which will be prepared by the Government Solicitor, Madras and sent to you has been duly executed and registered by your Company."

4. The Government has been pleased to order disbursement of the Loan to the Mills, now,after the Managing Agents-G.Poi Bros, execute a personal Bond assuring prompt payment of the Instalments of the Loan by the Mills."

5. We are pleased to submit that the State Counsel is preparing the said Bond as directed by the Director Of Industries, to be handed over to us for execution. We are expecting the same in a week's time. On reciept of the same it will be executed and handed over to the Department.

6. We once again submit that we have fullfilled all the conditions laid down except the Bond of the Managing Agents-Vide-para 5- which will be also executed on reciept of the same from the Department.

This submission is made praying for early disbursement of the loan on the presentation of the Bond of the Managing Agents duly executed.

We beg to remain
Sir,

Copies submitted to-

Secretary, Development Department.
Fort St.George.
Madras.

Director of Industries & Commerce,
Mackey's Garden
Madras.

Yours faithfully
For G.Poi Bros.

Partner.
Managing Agents.

UNDER SECRETARY
4 DEC 1952
DEVELOPMENT DEPARTMENT

68
Dw 13762
4-12-52

INDUSTRIES AND COMMERCE DEPARTMENT
***

From
The Director of Industries
and Commerce,
Madras.6.

To
The [illegible] Government,
Develop[illegible]ment,
Fort St. George, Madras.9.

No.SA/3829/48 dt.27.11.1952.
***

Sir,

Sub: STATE AID TO INDUSTRIES - M/s The Purnima Straw Board and Paper Mills Ltd - Moodbidri - Loan of Rs.80,000/- sanctioned Amount of Rs.40,000/- disbursed to the Company - Recovery ordered - Documents - Forwarding for safe custody.
***

I forward herewith the mortgage deed, the rectification deed, the personal security bond ~~on~~ and the indemnity bond executed by M/s The Purnima Straw Board and paper Mills Ltd, Moobidri, together with the title deeds etc. relating to the preperties hypothecated to Government (as per list below) towards the loan of Rs.80,000/- sanctioned in G.O.Ms.No.6142 Dev. Department dated 11.12.1948 as amended in G.O.Ms.No.742 Dev. Department dated 19.2.51 (subsequently recovery ordered in G.O.Ms.No.1691 Dev. Dept. dt.17.4.1952) and request that they may be forwarded to the record office for safe custody.

The receipt of the documents may kindly be acknowledged.

V. Dattatreyan 2-12-52
for DIRECTOR OF INDUSTRIES & COMMERCE.

retained in box

Vs.28.11.52.
Encl.. fourteen document

1/70/

Dev (DII) Depts. By Registered

Memo. No. 137622 DII/52-1 dated 6-12-52

Pl. issue
6/12/52

ub: Guarantee for a loan under the Madras State Aid to Industries Act to Messrs. The Purnima Straw Board and Paper Mills Ltd, Moodbidri - Mortgage deed and other documents - Returned for safecustody.

Ref: From the DI&C No. SA/3829/48 dated 27-11-52

p 1 above

The mortgage deed, the rectification deed, te, personal security bond and the indemnity bond xecuted ~~to~~ by M/s The Purnima Straw Board and aper mills Ltd., Moodbidri together with the title deeds (as relating ~~to~~ to the properties hypothecated to govt per the list appended to this Memo) towards the m of Rs eighty thousands sanctioned in G.O.Ms No 6142 Dev dated 11-12-48 as amended in G.O.Ms No. 742 Dev dated 2-51 are forwarded to the Curator, Madras ord office, Egmore for safe custody. He is quested to acknowledge the receipt of the documents.

p 3 below

for 1.4

(Appendix)
(list of p 3 below)

5-12-52

The Curator
M.R.O., Madras
(with encl)
as per the list
copy to the DI&C
20-12-52

LIST OF DOCUMENTS SENT HEREWITH.

DOC.No.	Particulars	No.of sheets.
1.	Mortgage deed dt.4.7.49 executed by M/s The Purnima Straw Board & paper mills Ltd., Moodbidri in favour of His Excellency the Governor of Madras.	11 sheets
2.	The rectification deed dt.7.7.51 executed by M/s The Purnima Straw Board & Paper Mills Ltd, Moodbidri in favour of His Excellency the Governor of Madras.	3 sheets
3.	Indemnity bond dt.7.7.51 executed by Sri G.Gopal Poi in favour of Government.	3 sheets
4.	Personal security Bond dt.7.7.51 executed by the Managing Agents of M/s The Purnima Straw Bond & Paper Mills Ltd, Moobhidri in favour of His Excellency the Governor of Madras, guaranteeing the repayment of the loan.	2 sheets.
5.	Indemnity bond dt.31.12.1949 executed by G. Gopal Poi in favour of His Exeellency the Governor of Madras.	3 sheets.
6.	Encumbrance certificate no.43 of 1951 dt.11.7.51 in English	2 sheets
7.	Indemnity bond dt. 23.3.50 executed by G.Gopal Poi in favour of His Excellency the Governor, of Madras.	2 sheets.
8.	Registration Copy of document No.57 of 1936 dt.30.12.1935 in Cannada	17 sheets.
9.	Sale deed dt.1.7.1947 executed by Gopal Poi and Sridhara Poi in Kannada (original) with English translation	5 sheets.
10.	Gift deed dt.21.6.48 executed by Gopal poi and Shridhara Poi in Kannada (original) with English translation	3 sheets.
11.	One Encumbrance certificate	1 sheet
12.	Print of the Director's second report and statement of account as at 31.8.1948	2 sheets.
13.	Print of the Memorandum and Articles of Association of the applicant - Company.	One Book containing 39 sheets.
14.	One plan.	One sheet.

*-o0o-**

From
Dr. B. S. Baliga, Ph.D. (Lond),
Curator, Madras Record Office,
Egmore, MADRAS-8.

To
The Under Secretary to Government,
Development Department,
Fort St. George, MADRAS.

No. 1755/52-S.A. 10378 dated 13th December 1952.

UNDER SECRETARY
15 DEC 1952
DEVELOPMENT DEPARTMENT

42242

Sir,

Sub:-Guarantee for a loan under the Madras State Aid to Industries Act to Messrs. The Purnima Straw Board and Paper Mills Ltd., Moodbidri - Mortgage deed and other documents - Returned for safe custody -

Ref:-Development Department Memorandum No. 137622-DII/52-1, dated 6-12-1952.

The documents (92 sheets in all) forwarded for safe custody with the Government Memorandum referred to above have been received in this office.

Yours faithfully,

Baliga
CURATOR,
13-12-1952.

Submitted for perusal.
Dw (DII) Dept
May be lodged and added to G.O. 42 Dev. d/ 19-2-51
SA/
17/12/52
13/12

75808

H.M. (Ind.)

10/98

I would like to see the file regarding the loan asked for by the Poornima Strawboard Mills, Moodabidri, South Kanara.

2/8/50

H.M. (Agri.)

Secy Dev

2/8

SECRETARY TO GOVERNMENT
5 AUG 1950
DEVELOPMENT DEPARTMENT

Dev.Dept.

To A.S.

The minutes of H.M. (Agri) above may be perused.

2. The papers regarding the loan to M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri are put up at (H), (M), (W) and (D). H.M. (Agri) last saw at p.12 n.f. of (W). Subsequent to this, on a recommendation made by the Board of Industries, it has been ordered that the loan of Rs.80,000/- sanctioned to the company might be made available to them provided the Management and the shareholders of the company are able to compose their differences to the satisfaction of the Govt. ~~their differences~~ within a period of six months.

3. The file may be circulated to H.M. (Agri) with reference to his minutes above.

4.8.50

4/8/50

4.8.50

5.8.50

SECRETARY TO GOVERNMENT
8 AUG 1950
DEVELOPMENT DEPARTMENT

HM (Ind)

5/8

Meanwhile call for the opinion of R & Jt Stock Companies whether the meeting held on 26.2.50 is valid or not.

H.M. (Agri)

8/8

To A.S.

The minutes of H.M. (Ind) on p.1 above and the representation received from the Chairman of the company at pp 1-7 c.f. may be perused. A draft Memo to the R.J.S.C. is submitted below for approval.

9.8.50 10/8/50

10.8.50 ASII 11/8/50 12.8.50

[Issued as Memo no. 75808 D.II-50.1 d 12.8.50]

[From the Chairman of the Purnima Straw Board and Paper Mills Ltd., Lr. d 4.9.50]

The further letter at p 11 c.f. from M/s. the Purnima Straw Board and Paper Mills Ltd. may be perused.

~~Reply from the R.J.S.C. to the Memo at pp 9.10 c.f. may be awaited till 10.9.50.~~

9/9 A draft memo reminding the R.J.S.C. to the memo at pp 9-10 c.f. is put up. ~~Issued~~

9/9/50 11.9.50

~~Issued as~~ Issued as O.M. No. 75808 D.II/50.2 d 11.9.50]
" " -3 d 30.9.50]

[From the Chairman of the Purnima Straw Board & Paper Mills Ltd., Lr. d 27.9.50]

Please see the further letter at p 15 c.f. from the Chairman of the Purnima Straw Board & Paper Mills Ltd. Reply from the R.J.S.C. in the matter may be awaited till 7.10.50.

30/9/50 3/10/50

This has been received in Dept today.
3/10/50

[From the R.J.S.C., Lr. no. C.2913-50 d 27.9.50]

[From Sri B.R. Kamath, Lr. d 28.9.50] pp 2

Development (DII) Department.

pp. 17-20 c.f. From the R.J.S.C. No.C.2913/50 dated 27-9-50.
p. 21 c.f. From Sri B.R. Kamath petition dated 28-9-50.
pp. 23-27 c.f. From the Purnima Straw Board ~~Paper~~ and Paper Mills Ltd. dated 3-10-50.

Extract of H.M. (Ind.) orders at p.23 c.f.

Please call for the remarks of D.I & C.

-C.P.
6/10/50.

To A.S.

With reference to H.M. (Ind.) orders at the bottom of p.1 above the R.J.S.C. who was consulted in the matter has stated that the proceedings of the two general body meetings held on 26-2-50 and the resolutions passed in them do not appear to be valid. He has however pointed out that, as the matter is complicated, legal opinion may be obtained before deciding on further course of action. Attention is in this connection invited to the petition from one B.R. Kamath at pp.21-22 c.f. regarding the invalidity of the proceedings of the meetings on 26-2-50. The chairman of the Board of Directors has again now requested for the early disbursement of the loan sanctioned by the Govt

pp. 7-10 c.f.
pp. 17-20 c.f.
M. on p. 20 c.f.
p. 25 c.f.
p. 7 of (D).

In G.O. No.2525 Dev. dated 24-6-50 the Govt. issued orders accepting the recommendation of the Board of Industries Directors that the loan of Rs.80,000/- sanctioned to the paper mills may be made available to the company provided the management of the shareholders of the company are able to compose to the satisfaction of the Government their differences within a period of six months from the date of the order. In view of the opinion of the R.J.S.C. regarding the validity of the proceedings of the General Body meeting held on 26-2-50 and the orders in G.O.No.2525 Dev. dated 24-6-1950, it is for consideration whether:

pp. 17-20 c.f.
p. 7 of (D)

(1) Legal Department may now be consulted regarding the validity of the meeting held on 26-2-50 as suggested by the R.J.S.C. before proceeding further in the ~~working~~ matter; or

(2) the period of six months allowed in G.O.No.2525

Dev. .....

H/

Dev. dated 24-6-1950 for composing the differences between the management ~~and the~~ shareholders may be allowed to elapse before further action is taken; or

(3) The D. I & C. may now be consulted as ordered by H.M. (Ind.) on p.23 c.f.

For orders.

Dis 15/7/50

S. 16/10/50

Legal may see

16.10.50

Legal Dev. u.o. no. 75808 DII-50-4 16.10.50

ASSISTANT SECRETARY 16671 17 OCT 1950 LEGAL DEPARTMENT

LEGAL DEPARTMENT.

In pursuance of G.O.No.3560,Development,dated 4/7/49 the general meetings of the Company were held on 26/2/1950. The question for consideration is whether the proceedings of the general meeting of the Company held on that day are valid and whether the Government may proceed on that basis. The Registrar of Stock Companies to whom the matter was referred has stated that the proceedings of those meetings do not appear to be valid particulary in view of the various objections raised in the petition at pages 1-15 c.f. of (W). It is doubtful whether the convening of the general meetings held on 26/2/1950 can be said to be valid in view of the fact that notice of meeting was issued by the Directors whose election itself was to be ratified. Objection has also been taken in paragraph xxv(6) of the petition on page 15 c.f. of (W) that the general meeting held on 26/2/1950 cannot confirm or ratify the proceedings of the ordinary general meeting held on 19/12/1948 which elected those directors of the company. It appears that the election of such Directors which according to the Articles of Association should be done at an ordinary general meeting, cannot possibly be ratified by a resolution at a later meeting.

2. Even the resolutions at the general meetings held on 26.2.1950 do not appear to have been passed in a regular manner, as the voting for those resolutions included also the votes of several persons who were new allottees of shares. The allotment of the shares in the present case by the Directors who were not properly elected cannot be valid and hence the voting by the new allottees is irregular. It is also said that some of the proxies were not allowed to vote at the meeting held on 26/2/50. Taking into consideration all these facts, it cannot be said that the resolutions were really passed by a majority at the ordinary general meeting held on 26/2/1950. Further the ratification of the proceedings of the meeting on 19/12/1948 involves the removal of some of the Directors who would otherwise be entitled to function as Directors and hence the ratification of the proceedings should be by an extraordinary resolution as provided by Art.116 of the Articles of Association of the Company. As such a resolution was not passed by 3/4 of the members at the extraordinary meeting held on 26/2/1950 it cannot be said that there was a proper ratification, even assuming that the proceedings at the previous meeting could be ratified.

3. It does not, therefore, seem possible for the Govt. to disburse the loan amount on the footing that the proceedings of the general meeting of the company held on 26/2/1950 are valid and binding on the company.

A

7/11/50 Dev

Legal Lio
16671/50-1
7-11-50

W 1722A
7.11.50

[From M/s. The Purnima Straw Board and Paper Mills Ltd., letter dated 31.10.1950.]

Extract of H.M.(Ind.)'s minutes on p.31 c.f.

"Pl. put up the file.

C.P.
2.11.50".

[From Sri G.Gopal Pai letter dated 30.10.1950.]

Extracts of H.M.'s minutes on p.33 c.f.

(H.M. Ind.)

35c.f
'A' at p. (2 below) may please be

considered.

A.B.S.
2.11.50.

Secy. Dev.

Pl. put up.

C.P.
3.11.50"

To A.S.

Orders of H.M.(Ind.) on the botton of page ~~of~~ 1 above and the further notes from XX on p.3 above may be perused. Legal Deptt. have also agreed with the R.J.S.C. that the proceedings of the General meeting of the Company held on 26.2.1950 are not valid and that it does not seem possible for the Govt. to disburse the loan on the ground that the General Body meeting of the Company held on 26.2.1950 is a valid one. The points ~~fx~~ that now arise for consideration are:-

(1) whether the period of six months allowed in G.O. No. 2525 Dev. dated 24.6.1950 for ~~composing~~ Composing the differences between the management and the shareholders may be allowed to elapse before further action is taken; or

This may be allowed to elapse
11.11.50

This can wait for the expiry of the six months' grace
11.11.50

(2) whether in view of the Legal opinion, the orders sanctioning the loan may even now be cancelled; or

(3) whether as prayed for by the Managing Agents and minuted by H.M.(Agri.), the Managing Agents will be given an opportunity to explain ~~them~~ their case. ~~again.~~

This need not, it is submitted, be done. No useful purpose will be served by hearing one side. It is better to get the company as a whole to make a valid approach.
C 2?
11.11.50

For orders.

11/11/50 11/11/50

11/11/50

11.11.50.

Let H.M.(Agri) see first.
11/11/50

HM (Ind)

HM (Agri)

A copy of a further representation made by the Purnima mills to H.M.(Ind) has been added to the c.f. The whole matter may be re-examined in the light of the representation now made.

A.B.S.
20/11

SECRETARY TO GOVERNMENT
21 NOV 1950
DEVELOPMENT DEPARTMENT

A

A.S.

The file may be circulated to H.M.(Ind) for perusal of the minutes of H.M.(Agri) at the bottom of page 6 above.

21.11.50 21/xi/50.

on return from On the representation will be duly examined

21.11.50

21.11.50

ad HM (Ind) 22/11

SECRETARY TO GOVERNMENT
22 NOV 1950
DEVELOPMENT DEPARTMENT

To A.S.

Orders of H.M.(Agri) on p.6 above and those of H.M. (Ind) above may be perused.

2. In G.O.No.2525, Dev. dated 24-6-1950, the Govt. issued orders accepting the recommendation of the Board of Industries that the loan of Rs.80,000/- sanctioned to M/s The Purnima Straw Board and Paper Mills might be made available to the company provided the management and the shareholders of the company are able to compose their differences to the satisfaction of the Govt. within a period of six months from the date of the order.

3. The Chairman of the Board of Directors of M/s The Purnima Straw Board and Paper Mills has now represented

A on p41 cf

(1) that the petitions sent by some of the shareholders who are residing at Bombay do not contain facts,

B on p43 cf

(2) that the proceedings of the General meeting held on 26-2-1950 are valid,

- do -

(3) that no body ~~could~~ has so far take action in a Court of Law questioning the validity of the proceedings of the General meeting, and

C on p45 cf

(4) that the loan will be utilised for the purchase of machinery but will never be misapplied.

~~4. He has the~~ He has therefore requested to review the whole position and order the disbursement of the loan amount.

I on p45 cf

3. Submitted that it was already held by the Registrar of Joint Stock Companies and the Legal Dept.

that the proceedings of the General meeting of the company held on 26-2-1950 are not valid and that it does not seem possible for the Govt. to disburse the loan on the ground that the General meeting held on 26-2-1950 is a valid one. In the circumstances, it is for consideration whether the request of the Chairman of the company to disburse the loan amount now will be pursued.

4. Legal may see before the case is again circulated.

DSR 29.11.50

S/Legal

We may adhere to our view that we cannot make any disbursements in the present occ.

/12.50

Legal

Dev. U.O. No. 45808 DII/50-6
4-12-50

D.
DS.

Legal Department.

ASSISTANT SECRETARY
19328
5 DEC 1950
LEGAL DEPARTMENT

The main legal issue in this case is whether the proceedings of the general meeting held on 26/2/1950 which ratified the proceedings of the meeting held on 19/12/1948 can be regarded as valid. In this Department's note at pages 4-5 ante, it was stated that it is not possible to hold that the proceedings of the meeting held on 26/2/1950 are valid and binding on the company. The chairman of the Board of Directors of the Company now represents that the proceedings of the meeting held on 26/2/1950 are valid for the reasons stated in paragraphs 4 to 8 at pages 39 to 43 c.f. The points urged in support of his contention are.--

(i) the proceedings of the extraordinary general meeting held on 20/11/1949 are ultra vires and illegal; K p 4 c6

(ii) the notice for the meeting on 26/2/1950 was issued by the managing agents by virtue of the power conferred on them by Article 75 of the Articles of Association. B p 43 c6

(iii) that no special majority is required in respect of the resolution passed at the meeting held on 26/2/1950. M. [illegible]

Point (i) above.-- The question whether the proceedings of the meeting held on 20/11/1949 are ultra vires and illegal can only be decided by a competent court and until then the proceedings of that meeting cannot be ignored.

p10, [illegible]
[illegible] ⓦ

Point (ii)above.-- According to Article 75, the notice for a general meeting has to be given by the managing agents in pursuance of a direction by the directors. The notice for the meeting on 26/2/1950 was issued by the managing Agents by order of the Board--see page 57 c.f. The Board of Directors mentioned in that notice is not the same as that elected in the 1949 meeting. As stated on point (i) above, it is doubtful whether the Board of Directors elected at the 1949 meeting can be completely ignored so as to make the notice at page 57 c.f.valid.

P. p53 cf

Point (iii)above.-- The resolution passed at the meeting held on 26/2/1950 is to the effect that all the proceedings of the annual general meeting held on 19/12/1948 are confirmed and ratified. The resolution in effect completely ignores the proceedings of the meeting held on 20/11/49 It is doubtful whether such a resolution can be passed by an ordinary majority.

A

It will be seen from the above that it will not be possible to say anything categorically about the legal position in regard to the validity of the meeting held on 26/2/1950 and that only a competent court can decide that question.

// If the Government still desire to encourage the industry carried on by the company by advancing the loan, two courses are open to them. The shareholders may be called upon to compose their internal differences and pass a fresh resolution ratifying the loan application in unambiguous terms or the Government may ignore the rivalry between these two sets of shareholders and demand from the managing agents and their supporters additional security for the grant of loan. The first alternative does not appear to be a practicable proposition in the present mood of the shareholders. Any attempt to convene another meeting will only give a fresh lease of life/

to the controversies among themselves and the validity of such a meeting will again be questioned. The second alternative may, therefore, be usefully pursued. It may be pointed out, in this connection, that the managing agents and their supporters seem to be actively carrying on the day to day management of the company. Nor have the Bombay shareholders appear to have taken any steps to take the matter before the Court. If additional securities are offered by the managing agents and their supporters and if they are men of means, Govt. may take into consideration those securities and grant the loan to the company on the strength of the security offered by the company and that offered independently by the managing agents and their supporters.

This seems to be the only Course open to Govt. if aid is to be given by the Govt. in this case
5/1/51

5/1/51

5/1/51

Devt. Dept.

Legal memo
19328/50-1
5.1.51

27/1st/51
8.1.51

Dev. Dept.

To A.S. (Previous note need not be read)

ASST. SECRETARY 8 JAN 1951 DEVELOPMENT

In G.O.No.6142, Dev. dated 11-12-1948, a Loan of Rs.80,000/- was granted to M/s The Purnima Straw Board and Paper Mills Ltd., Moodbidri under the Madras State Aid to Industries Act for the purchase of additional machinery and equipment for the factory. Some representations were received by the Govt. from certain Directors and share holders of the company objecting to the disbursement of the loan amount sanctioned. In G.O.No.3560, Dev. dated 4-7-1949, it was ordered that the loan amount might be disbursed to the company, subject to the condition, among others, that the company should hold a General Body meeting of its shareholders and confirm the proceedings of its previous meeting. The company accordingly convened a meeting of the General Body on 26-2-1950 and ratified the proceedings of the meeting held on 19-12-1948 as required in the G.O. at (M). Again the same Directors

pp 1-2 - K(M)

P.105

P.T.O

and shareholders of the company protested against the validity of the General Body meeting conducted by the Managing Agents on 26-2-1950 and againstthe disbursemen of the State loan. The whole question was again examined by this Govt. in consultation with the D.I.& C Legal and Finance Departments. It was held that there was no prospect of the company working smoothly and that it would be unsafe to give a loan from Public Funds for this company. Accordingly orders were issued cancelling the grant of the loan to the company. The D.I. & C. was asked to inform the Board of Industries accordingly. But the Board of Industries on a consideration of the case recommended that the Govt. might review their orders cancelling the loan to the Paper Mills and grant the loan, provided the management and the shareholders of the company were able to compose their differences within a period of six months. The Govt. accepted the recommendation of the Board of Industries and issued orders accordingly.

2. The Chairman of the Board of Directors of M/s The Purnima Straw Board and Paper Mills has now represented that the petitions sent by some of the shareholders who are residing at Bombay do not contain facts, that the proceedings of the General Body meeting held on 26-2-1950 are valid, that no body has so far taken action in a Court of Law questioning the validity of the proceedings of the meeting and that the loan will be utilised for the purchase of machinery but will never be misapplied. He ~~has~~ therefore requested to review the whole position and order the disbursement of the loan amount. The Registar of Joint Stock Companies and the Legal Dept. were consulted.

3. The R.J. S.C. stated that the proceedings of the general body meeting held on 26-2-1950 and the resolutions passed in it do not appear to be valid. Legal Dept. agreed with the R.J.S.C. and stated that it does not seem possible for the Govt. to disburse the loan on the ground that the proceedings of the General Body meeting of the company held on 26-2-1950 are valid and

P.T.O

binding on the company. Before final orders were issued in the matter, further representations were made to the Govt. by the Chairman of the Board of Directors of the Mills urging that the General Body meeting held on 26-2-1950 was valid and that none of the shareholders who had questioned the validity of the meeting, have sought redress in a Court. On this, H.M. (Agri) ordered that the whole question might be re-examined in the light of the further representation made by the Chairman.

'A' on p 6 above

4. Again this Dept. held the view that we cannot make any disbursement until the Management of the shareholders compose their differences to the satisfaction of the Govt, as already ordered in G.O.No.2525, Dev. dated 24-6-1950. Legal Dept. however, now hold the view that it will not be possible to say anything categorically about the legal position in regard to the validity of the meeting held on 26-2-1950 and that only a competent court can decide the question.

'C' on p 8 above

p 7 cf (I)

p 5, p 9 above.

5. Apart from the question of the validity or otherwise of the proceedings of the meeting held on 26-2-1950, Govt. issued orders cancelling the loan on the ground that there was no prospect of the company working smoothly and that it would be unsafe to give the loan from Public Funds. The Govt. however decided subsequently on the recommendation of the Board of Industries that the loan amount sanctioned to the paper mills in G.O.No.6142, Dev. d/11-12-1948 might be made available to the company provided the management and the shareholders of the company are able to compose their differences to the satisfaction of the Govt. within a period of 6 months. The period of 6 months allowed for composing their differences has already elapsed and there is no indication so far that the management made any effort to compose their differences.

'A' on p 3 nf (W)

x p 1 f (D)

x p 3 cf (C)

pp 19-20 f (F)

6. Attention is also invited in this connection to a subsequent petition 40 received from Sri B.R. Kamath~~a~~, a shareholder of the company. He has stated that he and 5 of the shareholders, of whom 2 are Directors have filed on 22-11-1950 a suit in the court of the Subordinate Judge

⊗ pp 59-62 c.f.

'M' on p 60.

P.T.O.

7580 Dn/50 13

of South Kanara against the Paper Mills and the management for a ~~declaration~~ declaration on the validity of the proceedings of the General Body meeting held on 26-2-1950 and for other things as detailed at 'A' on pp 60-62 c.f. The balance sheet~~ing~~ of the mills for the period ending 31-8-1949 shows that the Mills have worked at a loss of Rs.36,342-10-10 and no informatio is available whether the Mills have now been working profitably. In the circumstances, it is for consideration

H p 57 cf

(1) whether this Dept. may adhere to the view already taken that we cannot make any disburse ment until the management compose their differences with the shareholders, or

(2) whether the D.I. & C. may be asked to report the result of the suit filed by the shareholders questioning the validity of the proceedings of the meeting held on 26-2-1950 and submit a report on the working of the factory together with the latest balance sheet

or

(3) whether the disbursement of the loan amount wi be agreed to, subject to the taking of additional securities from the Managing Agents.

For orders. as suggested by legal dept.

BSR 12.1.51

12/1/51

S. 12/1/51

(circulation [illegible] above is [illegible])

Alternative (3), if it secures all our advance, should be accepted

16/1/51

Dn 00.15808 Dn/50-9 16.1.51 A

FIN. (EXP. A).

16 JAN 1951
4643
ASSISTANT [illegible] FINANCE DEPARTMENT

H/pp19-20 cf

The notes from the middle of page 7 above may be perused. Development propose to disburse the loan amount of Rs. 80,000/- sanctioned in G.O. 6142 Development dated 11-12-48 to the Paper Mills subject to the taking of ~~all~~ additional securities from the Managing

Agents. This based on the ~~advice tendered by~~ opinion given by the Legal Department who stated that this is the only course open if the Govt. considered that aid is to be given in this case. At the time Legal noted on the case, it was thought that the Shareholders ~~have~~ did not taken ~~up~~ the matter ~~to Govt.~~ before the Court. Development have now pointed out that some Shareholders have filed a suit against the Paper Mills in the court of the Subordinate Judge, South Kanara. In the circumstances, it does not appear proper to consider the question of giving aid to the Mills until the result of the suit is known. Finance may therefore advise that alternative (2) on page 13 above may be adopted.

para 2, pp 2 13

22.1.51

If, however, Development wish to press their proposal, they may be requested to circulate the case to H.M. (Fin.).

22.1.51

22.1.51

22.1.51 23/1/51

Dev

Fin U.O. No 4643 GA/51-1
28/1/51

9937 Dev/51
25.1.51

Dev. Dept.
---

20 JAN 1951

To A.S.

Notes from the middle of page 10 above may be perused. In the circumstances, it is for orders

(1) whether the suggestion of the Finance Dept. to defer the disbursement of the loan amount till the result of the suit filed by some of the share-holders is known, may be agreed to;

or

(2) whether this Dept. may press for the disbursement of the loan amount, subject to the taking of additional securities from the Managing Agents.

Approved

27.1.51 27/1/51 27/1/51

9
29/1

75808 [illegible] /53

(Agri.) [illegible] We are concerned to see (1) that our loan of Rs 50,000 [illegible] is safe. Legal Dept thinks that if the loan is jointly guaranteed by the Company, and independently by the managing agent, the loan will be safe (page 10 n)

(2) that we act according to the terms of the mortgage deed and disburse the loan (page 5 c)

(3) that we render state help to justify an enterprise which has already been progressed in an area where there is little industry, but considerable raw material.

May agree to disburse the loan, according to the precautions suggested by Legal Dept at page 10 n.

27/1

H. M. (Ind) 2/2

SECRETARY TO GOVERNMENT
14 FEB 1951
DEVELOPMENT DEPARTMENT

H. M. (Fin) 14.2

TO A.S.

Orders in circulation above.

A draft order is submitted below for approval. Finance may see before issue.

ADDITIONAL DEPUTY SECRETARY
16 FEB 1951
1252
FINANCE DEPARTMENT

16.2.51 16/2/51

16/2/51

Dev U.O. 75808 [illegible] /50-10
16.2.51.

16

75808 Dev/50

Fin (Exp A)

(Previous Fin note on pp 13-14 above)

The subsequent note of Dev and the orders in circulation on pp 14-15 above and the draft order below may be perused and the case returned to that dept. ~~Legal may also see before issue.~~ A

The date of repayment mentioned in para. 2(e) of the G.O. at (M) will have to be suitably modified. It is presumed that the D of I.C. will take necessary action to address the Govt. in this respect.
16-2-51

SDS
16/2/51

16.2.51

16 2 51

17/2/51

Dev

Fin no 12524 Exp A.
17-2-51

19075 Dev/Dev. Dept.
19-2-51

ASST. SECRETARY TO GOVERNMENT
20 FEB 1951
DEVELOPMENT DEPARTMENT

To A.S.

The presumption of Finance at 'A' above is correct. For orders whether the draft order below may now issue.

DSR
19.2.51

19/2/51

19/2/51

(Issued as G.O. No. 742, d/19.2.51)